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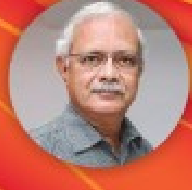
T Rabi Sankar
Deputy Governor
RBI



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MD and CEO
India1 Payments Ltd

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From The Desk Of Editor-in-Chief

Much awaited RBI monetary policy has been announced on the 10th February 2022 wherein RBI Governor declared no change in the overall policy of Repo rate or reverse repo rate declaring positive outlook of the overall GDP growth estimates.

LIC is finally going to be partially controlled by the people who become the share holders of the LICI. It is slated to be one of the biggest IPO in Indian history. Hopefully the issue would be fully subscribed. This will also increase the responsibility of LICI towards the investors.

BSE as well NSE have been showing negative trend and went down till 58000 from 60000 in last few months where in it is understood that overseas investments in Indian Stocks have been seen a churning. However, the basic structure of both exchange remains strong.

Central Budget for F.Y. 2022-23 has been presented by the Finance Minister Mrs. Nirmala Sitharaman on the 1st February. The Budget focused on long term infrastructure, give long term employment to the people of the country and help in the growth of the total economy as such. Agriculture was another focus area of the Budget which will give boost to the overall agricultural activity in the country as well as bring down the cost index for daily living of the people.

As per mass expectation there was no tax sops in the budget. The percentage of people paying taxes in India is very less and it becomes quite challenging for government to reduce taxes every year. Govt is focusing more on indirect taxes to bring maximum people under tax net.

Central Govt. is doing best of its efforts to become less dependent on imported crude oil as well as production of Renewable energy to boost carbon less country as per the resolution of UNO which will be effective in time to come.

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Banking News

Banks, finance companies will freeze Non KYC-compliant Bank account

Many customers of banks and other financial services who have not updated their identity and address proof documents might find their accounts frozen in the new year. The reason: On December 31, 2021, the Reserve Bank of India's freeze on action by banks against customers who have not complied with know your customer (KYC) norms will come to an end.

At any given point, there are hundreds of customers whose KYC validity expires. However, there could be a bunching-up of action as the RBI had asked banks not to insist on KYC in the wake of the second wave of the pandemic. The requirement of updating KYC norms is not just for banks but every regulated financial entity as it is part of anti-money laundering laws. This includes finance companies, mutual funds, broking houses and depositories.

Bankers said that for customers in low-risk accounts, KYC needs to be updated once every 10 years. However, those classified as high-risk will need to update their account once every two years. Besides this, dormant and inactive accounts also require fresh KYC updates to unfreeze or reactivate the accounts. Although for most customers the requirement is to update only once in 10 years, bankers say that more frequent updates are required because in some cases the documents submitted might not be part of the list of official valid documents. Also, where customers have changed the account and the communication returned to the bank, the KYC would have to be done afresh.

In a circular to all banks on May 2021, the RBI had said, "Keeping in view the current Covidrelated restrictions in various parts of the country, regulated entities are advised that in respect of the customer accounts where periodic updating of KYC is due and pending as on date, no restrictions on operations of such account shall be imposed till December 31, 2021, for this reason alone, unless warranted under instructions of any regulator/enforcement agency/court of law."

Fed Bank launches $-offshore fund

Federal Bank and Equirus Wealth have together launched a 'US dollar offshore fund' for their customers. This is in collaboration with SCUBE Capital, a global fund management company based out of Singapore.

NRI and resident customers of Federal Bank can invest in this fund that offers a portfolio return (IRR) guidance of ~ $6.50% per annum with a fund tenor of three years from the date of fund closure with an option to extend by one year. The portfolio is managed by a highly skilled team with a cumulative experience of over 70 years in managing investments of over $50 billion.

Speaking on the occasion, Shalini Warrier, executive director & Business Head - Retail, Federal Bank said, "The offer has been specially curated by our partner, Equirus Wealth along with SCUBE Capital and is only available to Federal Bank customers."

Ajay Garg, managing director - Equirus Group, said, "the product offers attractive risk-adjusted returns given the low debt yield environment. While this is our first exclusive product for Federal Bank clients, we are very keen to create a pipeline of such exclusive offerings going forward."

Hemant Mishr, co-founder and CEO, Asset Management, SCUBE Capital, Singapore, added that "The fund has been jointly designed with inputs from the Equirus and the Federal Bank team, in keeping with the spirit of collaboration. The investment strategy seeks to offer superior risk-adjusted-return for investors against the backdrop of rock bottom interest rates."

Indian Bank reports 34% rise in Q3 profits to Rs. 690 crore

Indian Bank reported a 34 per cent year-on-year (YoY) rise in net profit at Rs 690 crore for the December quarter, despite a 21 per cent growth in provisions and contingencies. Net profit was Rs 514 crore in the year-ago period.

The bank saw a 30 per cent rise in earnings from treasury operations, unlike most of its peers, helping its profit numbers.

Its net interest margin from domestic operation was at 3.03 per cent for the December quarter against 2.89 per cent for the preceding quarter. The NIM was 3.13 per cent in the year-ago period.

The bank's operating profit rose 16 per cent to Rs 3,288 crore for the quarter against Rs 2,846 crore in the year-ago period. Net interest income was at Rs 4,395 crore compared with Rs 4,314 crore over the same period. The bank set aside Rs 2,493 crore for provisions and contingencies in the quarter under review against Rs 2,061 crore it did earlier.

India's digital currency debut likely in 2023

India's very own official digital currency is likely to debut by early 2023, which will mirror any of the currently available private company-operated electronic wallets, but with a change that it will be a sovereign-backed facility, a top government source said. Finance Minister Nirmala Sitharaman in her budget speech last week talked about launching a central bank-backed 'digital rupee' soon.

A top government source, who wished not to be identified said, the digital currency issued by the RBI would be numbered in units, just like every fiat currency has an unique number.

"The units issued in digital rupee would be included in the currency in circulation. It would not be very different from fiat currency. It would be more like an electronic form of fiat currency, so in a sense it would be a governmentmandated electronic wallet," the source said.

The RBI has indicated that the digital rupee would be ready by the end of next financial year, the source added.

SBI to sell 6 NPAs with Rs. 406cr dues

SBI has lined up six non-performing assets (NPAs) for sale to asset reconstruction companies (ARCs) to recover dues of nearly Rs 406 crore.

The six NPA accounts put up for sale to the ARCs are -- Patna Bakthiyarpur Tollway with outstanding of Rs 230.66 crore; Steelco Gujarat Ltd Rs 68.31 crore; GOL Offshore Ltd Rs 50.75 crore; Andhra Ferro Alloys Ltd Rs 26.73 crore; Guru Ashish Taxfab Rs 17.07 crore and Genix Automations Pvt Ltd Rs 12.23 crore.

"In terms of the bank's policy on sale of financial assets, in line with the regulatory guidelines, we place the following accounts for sale to ARCs/banks/NBFCs/FIs, on the terms and conditions indicated there against," SBI said in the sale notices for these assets.

The e-auction for Patna Bakthiyarpur is scheduled to take place on February 23, and GOL Offshore on February 21. Genix Automations and Guru Ashish Texfab are to be auctioned on February 15, while e-auction for Steelco Gujarat and Andhra Ferro Alloys is scheduled for March 4.

SBI said these sales are subject to approval by the competent authority of the bank.

The auction of Patna Bakthiyarpur Tollway, Steelco Gujarat Ltd, Andhra Ferro Alloys, Genix Automations and Guru Ashish Texfab will be held under Swiss Challenge Method, based on an existing offer in hand, who will have the right to match the highest bid, the lender said.

Under the Swiss Challenge Method, an interested bidder makes a proposal for a project (here asset). The seller puts the details of the project in public so that others can match it. After receipt of bids, the original contractor gets an opportunity to match the best bid.

The interested ARCs/banks/NBFCs/FIs can conduct due diligence of these assets with immediate effect, after submitting expressions of interest and executing non-disclosure agreements with the bank.

"We reserve the right not to go ahead with the proposed sale at any stage, without assigning any reason. The decision of the bank in this regard shall be final and binding," SBI said.

Union Bank India's Q3 net profit up 49% to Rs. 1,085 cr

State-owned Union Bank of India posted a 49 percent jump in net profit to Rs 1,085 crore in the third quarter ended December 31.

The bank had earned a net profit of Rs 727 crore in the corresponding quarter of the previous financial year.

Its total income during the October-December quarter of 2021-22 declined to Rs 19,453.74 crore from Rs 20,102.84 crore in the corresponding quarter of the previous financial year, Union Bank of India said in a regulatory filing.

On the asset quality front, the bank's gross non-performing assets (NPAs) fell to 11.62 percent of the gross advances by the end of the December 2022 quarter, compared with 13.49 percent by the end of December 2020.

However, net NPAs increased to 4.09 percent, up from 3.27 percent at the end of December 2020.

Provisions and contingencies declined significantly to Rs 2,549.58 crore, compared with Rs 5,210.50 crore a year ago.

SBI disburses Rs. 1.12 L crore home loans till January

State Bank of India has disbursed a record Rs 1.12 lakh crore of loans to individual home buyers until January end in FY22 as demand for housing in the hinterland surged, helping it leapfrog specialist lenders in the mortgage business.

This is a 20% growth over the corresponding period in FY21.

Home loan disbursements have now surpassed pre-Covid levels, two industry sources told ET, underscoring the appetite for new homes among end users.

A spokesperson at SBI confirmed the development, saying the growth was geographically broad-based.

"Our bank has disbursed Rs. 1.12 lakh crore in home loan and home related loans as on Jan 22 during the current financial year," the spokesperson said, responding to ET's query.

About 40% of such disbursements came from tier-1 cities while the rest has come from other cities and towns. The average ticket size of such loans is said to be at Rs 34 lakh.

Mumbai, Hyderabad, Kolkata, Chennai, Ahmedabad, Bangalore and Pune have a fair share of the disbursements.

"The majority of this year's record disbursements took place between July and now as the infection virulence has been gradually reducing," said one of the persons cited above.

The bank has waived processing fees until March 31 this year as the lender is aiming to acquire more customers with an attractive rate of 6.7%. This minimum rate may rise up to 20 basis points depending on an individual's credit score as provided by CIBIL.

A customer can save anything between Rs 3,500 and Rs 10,000 on loan applications depending on the ticket size. It is pegged at 0.35% of the loan value.

PMC Bank merger awaits approval

The proposed merger of debt-ridden Punjab and Maharashtra Cooperative Bank with Unity Small Finance Bank (USFB) is being examined and the process of amalgamation will start after the government approval, sources said.

Various aspects of the scheme of amalgamation have been examined and the government would soon send its suggestions, if any, to the RBI, sources said.

The RBI in December extended the restrictions on Punjab and Maharashtra Cooperative (PMC) Bank for another three months till the end of March, 2022 as all necessary process on the draft scheme for the takeover was not complete.

As per the Banking Regulation Act, the draft scheme of amalgamation is required to be placed before the government for its sanction and the Centre may sanction the scheme without any modifications or with such modifications as it may consider necessary.

India1 aims to roll out 20,000 ATMs

IPO-bound India1 Payments Ltd, which is currently rolling out 300-400 ATMs in a month, is hopeful of deploying over 20,000 such machines in next 4-5 years to ensure cash availability to customers in semi-urban and rural areas, its MD and CEO K Srinivas said.

"The hike in interchange fees by RBI coupled with various structural growth drivers, including expected increase in cash withdrawal transactions, will accelerate White Label ATMs deployments in the country," he said.

The ATMs which are set up, owned and operated by non-bank entities are known as White Label ATMs (WLAs).

At present, the Bengaluru-headquartered company operates a network of 10,300 WLAs and deploys its ATMs under the brand name of "india1ATMs".

It is the second largest ATM brand in the semi-urban and rural areas after State Bank of India (SBI). ❑

Reserve Bank News

RBI okays Vinod Rai as Unity SFB's independent chairman

Vinod Rai, the former comptroller and auditor general of India, has been granted approval by the Reserve Bank of India to be appointed as the independent chairman of Unity Small Finance Bank (SFB), a joint venture between Centrum group and Bharat Pe.

Apart from Rai, the SFB has appointed Sandip Ghose, an RBI veteran, Basant Seth, the former chairman and managing director of erstwhile Syndicate Bank, and Subhash Kutte, former chairman RBL Bank to its board to guide its journey in becoming a successful digital bank.

Unity SFB started its operations in November last year after receiving a final nod from the central bank. The RBI gave this joint venture a small finance bank licence to take over the beleaguered Punjab and Maharashtra Cooperative Bank. Unity Bank is in the process of acquiring the assets and liabilities of PMC Bank under RBI's resolution for the bank.

Prior to being appointed as the independent chairman of Unity SFB, Rai has been the chairman of Banks Board Bureau, a body that advises the central government on top-level appointments at public sector banks and ways to address bad loans. He was also associated with IDFC Limited, the holding company of IDFC First Bank. Rai was the independent director at IDFC for two terms.

RBI: Digital payments up 39.6% in Sept 2021

The RBI's Digital Payment Index, which shows the deepening of payments through digital modes in India, rose by 39.64 per cent to 304.06 in September 2021 against 217.74 in the year-ago month.

Constructed with March 2018 as the base period - DPI score for March 2018 is set at 100 - the RBI-DPI was 173.49 in September 2019. Digital payments increased after Covid hit the nation in March 2020 and the government and the Reserve Bank of India (RBI) announced several measures to boost digital payments.

The RBI-DPI comprises five broad parameters that enable measurement of deepening and penetration of digital payments in the country over different time periods, viz. payment enablers (with 25 per cent weight), payment infrastructure-demand-side factors (10 per cent), payment infrastructure-supply-side factors (15 per cent), payment performance (45 per cent) and consumer centricity (5 per cent). These parameters have sub-parameters which, in turn, consist of various measurable indicators.

The DPI for March 2019 and March 2020 work out to 153.47 and 207.84, respectively. The RBI said the DPI would be based on multiple parameters and will reflect accurately penetration of various digital payment modes.

RBI Guv - headed FSDC Sub-committee reviews economic situation

The FSDC sub-committee headed by Reserve Bank Governor Shaktikanta Das reviewed the economic situation in the backdrop of the COVID-19 pandemic and resolved to keep a close watch on the unfolding developments with a view to ensure financial stability. The meeting of the Financial Stability and Development Council (FSDC) Sub-Committee (FSDCSC) was held via video conferencing and attended by all financial sector regulators including SEBI, IRDAI, PFRDA and IBBI.

"The members resolved to maintain a

close watch on the unfolding developments and act proactively to ensure that financial institutions and financial markets remain resilient amidst the challenges posed by the resurgence of the pandemic," the RBI said in a release.

The sub-committee reviewed the major developments in the global and domestic economy.

Reserve Bank paper proposes new investment category for banks

The Reserve Bank of India proposed a new investment category for banks-fair value through profit and loss (FVTPL) account-as part of its initiatives to align lenders' investment portfolio regulations with the global accounting standards.

In a discussion paper released, RBI said the investment portfolio of banks shall now be divided into three categories-held to maturity (HTM), available for sale (AFS) and FVTPL.

The existing held-for-trading (HFT) category will now come under the FVTPL category, according to the proposed rules. The HFT category was for debt securities purchased by banks with the intent of selling them within a short period of time. Under FVTPL, debt instruments are measured at fair value through a profit and loss account.

The new bank portfolio classification norms will come into effect from 1 April 2023, the paper said, while inviting comments on a discussion paper from stakeholders by 15 February.

Banning crypto most advisable choice, says RBI Deputy Gov

Cryptocurrencies have no intrinsic value and could even be worse than Ponzi schemes, RBI deputy governor T Rabi Sankar said, advocating a ban even while India is undecided on regulating them.

"We have seen that crypto-technology is underpinned by a philosophy to evade government controls," Sankar said at the 17th Annual Banking Technology Conference and Awards of the Indian Banks' Association (IBA). "Cryptocurrencies have specifically been developed to bypass the regulated financial system. These should be reason enough to treat them with caution."

According to Sankar, cryptocurrencies are not amenable to definition as a currency, asset or commodity and these should be reason enough to keep them away from the formal financial system. That apart, cryptos also undermine financial integrity, especially the KYC regime and Anti-Money Laundering and Combating of Financing of Terrorism regulations and at least potentially facilitate anti-social activities, he said.

That apart, he said that if allowed cryptos can wreck the currency system, the monetary authority, the banking system, and in general the government's ability to control the economy.

"All these factors lead to the conclusion that banning cryptocurrency is perhaps the most advisable choice open to India. We have examined the arguments proffered by those advocating that cryptocurrencies should be regulated and found that none of them stand up to basic scrutiny," said Sankar.

Central banks worldwide have warned against the risks of privately issued cryptocurrencies for reasons ranging from the volatility in their value to risks to financial stability while working on plans to launch their own digital currencies to promote financial inclusion.

Growth worries keep RBI on long rate pause

The Reserve Bank of India (RBI) held its key lending rates steady at record low levels for the 10th straight meeting to support a durable recovery of the economy from the COVID-19 pandemic.

RBI Governor Shaktikanta Das said the Monetary Policy Committee (MPC) decided to hold the lending rate, or the repo rate, steady at 4 per cent, and the reverse repo, or the rate at which it absorbs excess cash from lenders, unchanged at 3.35 per cent.

The six-member MPC, which has been on pause since August 2020, voted unanimously to maintain the status quo on the repo rate and by a majority of 5-1 to retain the accommodative policy stance as long as necessary, he said.

"Monetary policy actions will be calibrated and well telegraphed," he said, indicating that there will not be any surprises.

"Overall, taking into consideration the outlook for inflation and growth, in particular the comfort provided by improving inflation outlook, the uncertainties related to Omicron and global spillovers, the MPC was of the view that continued policy support is warranted for a durable and broad-based recovery," he noted.

While a status quo on repo rate was expected, some economists had expected a hike in the reverse repo to realign it with short-term money market rates.

MPC continuing with the accommodative policy stance was one of the prime reasons Das cited for not hiking the reverse repo rate.

The decision comes days after Finance Minister Nirmala Sitharaman proposed to up spending to support the economy's world-beating recovery.

"The government's thrust on capital expenditure and exports are expected to enhance productive capacity and strengthen aggregate demand. This would also crowd in private investment," Das said.

Other decisions include curtailment of the hours when reverse repo and MSF windows can be availed -- a return to pre-pandemic methods of managing liquidity.

RBI Cancels Registration of Chinese-Owned Lending App Cashbean

The Reserve Bank of India (RBI) on February 24 cancelled the registration of fintech startup, Cashbean for flouting a slew of norms. The central bank said that it has nullified the CoR of PC Financial Services (PCFS) - the parent company of Cashbean - for 'supervisory concerns such as gross violations of RBI directions on outsourcing and Know Your Customer norms.'

The Non-Banking Financial Institution (NBFI) is also in the dock for charging exorbitant rates of interest and other charges to its borrowers 'in an opaque manner.' The action was also initiated against the NBFI for unauthorised usage of logos of RBI and CBI for recovery from its borrowers.

The decision was taken by RBI under Section 45-IA (6) (iv) of the Reserve Bank of India Act, 1934. Under the rule, RBI has the power to cancel the CoR of any NBFC if it flouts directions issued by RBI or if it fails to maintain accounts in accordance with the requirements of the law.

PCFS is primarily engaged in mobile-based lending operations through its app Cashbean. With the announcement, the Cashbean app will cease to conduct any business in India.

Incorporated in 1995 as an Indian company, PCFS got the NBFC licence in 2002 and received RBI nod in 2018. Afterwards, the ownership of the company was transferred and it became a Chinese controlled company.

RBI asks NBFCs to enable Core Fin Services Solution akin to that in banks

The Reserve Bank of India (RBI) said non-banking finance companies (NBFCs) in the upper and middle layer, with ten or more fixed point service delivery units as of October 1, 2022, will have to mandatorily implement "Core Financial Services Solution (CFSS)" by September 30, 2025, a system akin to the Core Banking Solution used by banks.

It will provide seamless customer interface in digital offerings and transactions relating to products and services with anywhere / anytime facility, the RBI said in a statement. Further, it will enable integration of NBFCs' functions, provide centralised database and accounting records, and be able to generate a suitable management information system (MIS), both for internal purposes and regulatory reporting.

Earlier, the RBI had said, NBFCs with ten and more branches will be mandated to adopt Core Banking Solution. And a glide path of three years with effect from October 01, 2022 will be provided.

According to the scale-based framework for NBFCs, the middle layer consists of all deposit taking NBFCs, irrespective of asset size, non-deposit taking NBFCs with asset size of Rs 1,000 crore and above. Similarly, upper layer NBFCs consist of finance companies which are specifically identified by the RBI as warranting enhanced regulatory requirements.

Forex reserves jump by $2.76 bn to $632.95 bn: RBI data

The country's foreign exchange reserves increased by USD 2.762 billion to USD 632.952 billion for the week ended February 18 on a healthy rise in the value of gold reserves and core currency assets, the RBI said.

In the previous reporting week, the overall reserves had declined by USD 1.763 billion to USD 630.19 billion.

During the reporting week, the rise in overall reserves was on account of an increase in the foreign currency assets (FCA), a major component of the overall reserves, the Reserve Bank of India's (RBI) weekly data released showed.

FCA increased by USD 1.496 billion to USD 567.06 billion in the week ended February 18, it said.

Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

Gold reserves increased by USD 1.274 billion to USD 41.509 billion in the reporting week, the data showed.

The special drawing rights (SDRs) with the International Monetary Fund (IMF) decreased by USD 11 million to USD 19.162 billion, RBI said.

The country's reserve position with the IMF increased by USD 4 million to USD 5.221 billion in the reporting week, the data showed. ❑

Industry News

SEBI appoints two new EDs

Manoj Kumar and Sunil Kumar, the two chief general managers with Securities and Exchange Board of India (SEBI), have been promoted to the rank of Executive Director (ED), an office order by the regulator said. For the first time, SEBI will have 11 EDs handling various portfolios. In September 2020, Manoj Kumar was appointed as ED of International Finance Services Centres Authority (IFSC) the regulator for GIFT City in Gandhinagar. Kumar will return to SEBI's Mumbai office in the new role now.

CBI FIR against Guj shipping firm for Rs. 23000 cr bank fraud

The CBI has filed an FIR against a Gujarat-based shipping firm and its directors for allegedly duping a consortium of banks of Rs 22,842 crore. The agency also conducted searches at 13 premises of the accused company and its officials located at Surat, Bharuch, Mumbai and Pune, which led to recovery of incriminating documents.

The agency has named ABG Shipyard and its directors Rishi Kamlesh Agarwal, Santhanam Muthaswamy, Ashwini Kumar, Sushil Agarwal, and ABG International Pvt Ltd as accused in the FIR. The CBI is also probing the role of public servants and bank officials in the fraud. This is one of the biggest fraud cases being probed by the anti-graft agency in terms of money siphoned in a single case, sources said. The CBI filed the FIR on a complaint from the State Bank of India for allegedly causing a massive loss to the exchequer.

"It was alleged that the said accused had cheated the consortium of 28 banks including the branches of erstwhile State Bank of Patiala, Commercial Finance Branch, New Delhi, erstwhile State Bank of Travancore, Commercial Branch, New Delhi, State Bank of India, Overseas Branch, Mumbai etc. The consortium of 28 banks was led by ICICI Bank," CBI spokesperson RC Joshi said. ABG Shipyard, which is based at Surat, was engaged in the business of shipbuilding and ship repair.

As per the CBI's FIR, the firm - which is estimated to have constructed over 160 vessals - owed Rs 7,089 crore to ICICI bank, Rs 3,634 crore to IDBI Bank, Rs 2,925 crore to SBI, Rs 1,614 crore to Bank of Baroda and over Rs 1,200 crore to Punjab National Bank and Indian Overseas Bank.

Finance ministry tells departments to restrict expenses within limits

In a bid to maintain fiscal deficit within the targeted limit, the finance ministry has asked ministries and departments to restrict their expenses with the revised estimates.

In an office memorandum seeking proposals for the third and final batch of Supplementary Demands for Grants, the economic affairs department under the finance ministry asked the ministries and departments to submit their proposals by February 10.

"While processing proposals for supplementary grants, the grant-controlling authority must invariably identify savings available within the grant so that the infructuous or inflated supplementary demands are weeded out and the eventuality of surrender after obtaining supplementary grant is avoided," it said.

The proposal for Supplementary Demands for Grants may be projected after a thorough and objective assessment of additional requirements of funds, it said.

"All the ministries and departments have been requested to contain the expenditure within the approved Revised Estimate ceilings," it said.

The government estimates a fiscal deficit of 6.8 per cent of the gross domestic product (GDP) in the current financial year ending on March 31.

Fiscal deficit is an indication of the government's borrowing to meet the shortfall between expenditure and receipts from taxes and other sources.

The memorandum further said the demand proposal should be made after a thorough review of savings within the Grant.

"In cases where re-appropriation can be made without the requirement of Supplementary as per the extant provisions, no Supplementary proposal, including for a token amount, should be proposed.

"Such requirement may be met by re-appropriation of savings after obtaining approval of competent authority," it said.

The cases that will be eligible to be incorporated under such demands include those where advances from the Contingency Fund of India have been granted.

Besides, payments against court decree will be included as well in cases where the finance ministry has specifically advised moving of supplementary demand in the budget session, it said.

No need for in-person appearance in I-T Advance Ruling hearing

The finance ministry has notified the 'e-advance rulings Scheme', enabling taxpayers to file their application for advance ruling through e-mail, a move that will majorly benefit non-resident assesses in such proceedings. The 'e-advance rulings Scheme, 2022', notified by the Central Board of Direct Taxes (CBDT), further provides that hearing before the Board for Advance Rulings will be conducted through video conferencing/ video telephony, where taxpayers would be granted an appropriate opportunity of being heard.

The advance ruling mechanism is provided in the Income Tax Act to provide upfront clarity to non-residents and certain other specified taxpayers, regarding the taxability of their transactions in India under Indian I-T laws.

The scheme also provides that all communications between the taxpayer/income tax authorities and the Board for Advance Rulings will take place in electronic mode.

Every notice or order or any other electronic communication under this scheme from the Board for Advance Rulings will be delivered to the applicant by sending an e-mail to the registered email address of the applicant or his authorised representative.

It also states that the applicant or the authorised representative would file his response to any notice or order or any other electronic communication, under this scheme, to the Board for Advance Rulings through his registered email address.

Govt weighs extension of emergency credit scheme

The government is examining a proposal to increase the validity of the Emergency Credit Line Guarantee Scheme (ECLGS), which is now set to expire in March.

The scheme offers government guarantees for up to 4.5 lakh crore of loans, and banks have so far sanctioned about 2.9 lakh crore under it. The government may expand the validity of the scheme by up to a year and the overall loan cap by 10%, said a finance ministry official.

The scheme was launched after the national lockdown during the first Covid wave to provide support to MSMEs and has since been expanded to cover other sectors such as aviation. As of now, about 95% of the guarantees issued are for loans sanctioned to MSMEs.

Govt panel for regular market approval

An expert panel of India's central drug authority recommended granting regular market approval to Covid vaccines Covishield and Covaxin, which are currently only authorised for emergency use in the country, subject to certain conditions, official sources said.

Serum Institute of India (SII) and Bharat Biotech had submitted applications to the Drugs Controller General of India (DCGI) seeking regular market authorisation for their respective COVID-19 vaccines Covishield and Covaxin, respectively.

Prakash Kumar Singh, director (government and regulatory affairs) at SII, had submitted an application to the DCGI on October 25 on this matter.

Nifty India defence index rolled out

NSE Indices, the National Stock Exchange's index services subsidiary, launched Nifty India Defence index, which aims to track the performance of portfolio of stocks that broadly represent the Defence theme.

From the Nifty Total Market index, stocks forming part of the defence, aerospace, explosives and ship building basic industries or those which obtain at least 10 per cent of revenues from the defence industry are eligible to be included in the index. Stock weights in index are based on their free-float market capitalisation and will be capped at 20 per cent each.

The index is expected to act as a benchmark for asset managers and be a reference index tracked by passive funds in the form of Exchange Traded Funds (ETFs), index funds and structured products, NSE said in a release.

The base date for the index is April 2, 2018, and base value is 1000. Index reconstitution will be done on a semi-annual basis.

21% indirect texes hitting airlines hard: IndiGo CEO

The civil aviation industry has to pay 21 per cent of its revenues as indirect taxes and this "unreasonable proposition" is resulting in a chronically ill sector, IndiGo CEO Ronojoy Dutta said.

Dutta requested the Ministry of Finance to reduce central excise taxes on fuel from 11 per cent to 5 per cent and eliminate custom duties on aircraft repair parts.

Civil aviation provides efficient infrastructure, critical for economic growth and employment in our country, he said in a statement.

"Yet civil aviation pays 21 per cent of its revenues to the government in indirect taxes with very little input credit," Dutta said.

"This unreasonable proposition is resulting in an industry that is chronically ill and is unable to live up to its true potential of boosting commerce and employment," he said.

Dutta requested the Ministry of Finance to take immediate action to address the long festering problem.

Over 16K died by suicide due to bankruptcy in 3 years: Govt

Over 16,000 people died by suicide due to bankruptcy or indebtedness while 9,140 people ended their lives due to unemployment between 2018 and 2020, Rajya Sabha was informed.

Union Minister of State for Home Nityanand Rai said 5,213 people died by suicide due to bankruptcy or indebtedness in 2020, 5,908 in 2019 and 4,970 in 2018.

A total of 3,548 people died by suicide due to unemployment in 2020, 2,851 in 2019 and 2,741 in 2018, he said replying to a written question.

SEBI launches app for investors

Markets regulator Securities and Exchange Board of India (SEBI) launched "Saa?thi" - a mobile app on investor education in Mumbai. The new app aims to create awareness among investors about the basic concepts of the securities market.

Additionally, the app will also explain about KYC process, trading and settlement, mutual funds (MF), recent market developments, investor grievances redressal mechanism, etc, the market regulator said in a press release.

Launching the app, SEBI chairman Ajay Tyagi said, "This mobile app is yet another initiative of SEBI with a view to empowering investors with knowledge about securities market. With the recent surge in individual investors entering the market, and more importantly a large proportion of trading being mobile phone based, this app will be helpful in easily accessing the relevant information. I am sure that in coming times this App will be popular among the investors especially the young ones."

GST official bust fake tax credit racket

Goods and Services Tax (GST) officials have bust a tax credit racket and arrested the proprietor of a metal trading firm, the finance ministry said in a statement.

Officials of the Central GST Commissionerate in Navi Mumbai detected that the firm engaged in trading of scrap of ferrous, aluminum, copper and other metals allegedly availed of and passed on input tax credit fraudulently on the basis of bogus invoices of more than Rs. 60 crore, the statement said.

A team of officers held an enquiry into the firm and arrested the proprietor for alleged offences under CGST Act. He was produced before a magistrate and has been sent on judicial custody for 14 days, the statement said quoting Prabhat Kumar, commissioner of CGST and Central Excise at Navi Mumbai.

The regulatory action in this case is a part of an anti-evasion drive by the Mumbai Zone officials, the statement said. As a part of this drive, Navi Mumbai Commissionerate has detected tax evasion of more than Rs. 450 crore and recovered Rs. 20 crore and arrested 12 persons recently, it said.

EPFO may invest in pvt corporate bonds

Looking to maximise yields, the Employees' Provident Fund Organisation

(EPFO) is likely to start investing again in corporate bonds issued by private sector companies, after a gap of over two years.

As per the current investment pattern, the EPFO can invest up to 20 per cent of its annual incremental deposits - around Rs 36,000 crore at present - in corporate bonds. But the investments have in recent years been restricted to bonds of public sector companies.

Options like when to invest in private-sector bonds and when and how to exit from such investments were discussed at the retirement fund body's Finance Investment and Audit Committee (FIAC) meeting.

"No concrete decision has been taken today. We have been discussing the issue since last couple of meetings and today, we extended that discussion and deliberated from various angles of risk versus gain and on aspects of such investments," said K E Raghunathan, a FIAC member and also a member of the Central Board of Trustees (CBT), the highest decision-making body of the EPFO and headed by the Union Labour Minister.

CBIC to scale up departmental audits to boost GST compliance

The Central Board of Indirect Taxes and Customs (CBIC) is set to scale up scrutiny and departmental audits of risky taxpayers to improve goods and services tax (GST) collections while using data and technology to ensure that officials make decisions transparently, chairman Vivek Johri said in an interview.

Johri anticipates the central government's indirect tax revenue sources to undergo a shift, with green mobility picking up and fossil fuel consumption declining over time.

That would mean more services such as electric vehicle charging stations and service centres emerging as sources of GST collections, while an emphasis on tax compliance in domestic transactions and a wider tax base helps make up for the lower usage of fossil fuels for revenue collections.

In an interview, the CBIC chairman said that compliance improvement measures taken by the department are already showing in GST collections.

Digital Advt spend to hit $753b: Study

Global digital advertising spending will increase from $407 billion in 2022 to $753 billion in 2026. These figures correspond to an increase of 85%. The forecast also says that by 2026, mobile app revenue will account for 56% of the total.

Analysts say that while the privacy changes adopted by Apple and Google limit the potential for effective ad attribution, there are still great opportunities. The availability of SKAdNetwork on iOS, for example, is an important opportunity for advertisers to access aggregated data, allowing them to target areas suitable for growth.

Analysts predict that total mobile app ad spend will increase from $201 billion in 2022 to $425 billion in 2026 as brands strive to win consumer trust.

The forecast expects desktop ad spending to increase from $97 billion in 2022 to $142 billion in 2026, despite the redirection of spending to portable devices and the implementation of data protection rules affecting cookie policy.

PV exports from India jumps 46%

Passenger vehicle exports from India increased 46 per cent in the first nine months of the current fiscal year, with Maruti Suzuki India leading the segment with dispatches of around 1.68 lakh units, as per the latest data by SIAM.

The total passenger vehicle (PV) exports stood at 4,24,037 units in April-December 2021-22 as compared with 2,91,170 units in the same period a year ago.

Passenger car shipments saw 45 per cent growth at 2,75,728 units while utility vehicle exports rose 47 per cent at 1,46,688 units during the period under review, the data by the Society of Indian Automobile Manufacturers showed.

Export of vans nearly doubled to 1,621 units in April-December 2021-22 as compared with 877 units in the same period last fiscal year.

Maruti Suzuki India (MSI) led the segment during the period, followed by Hyundai Motor India and Kia India at the second and third positions, respectively.

Goyal asks VC funds to invest in small-town startups

Global venture capital (VC) funds should focus more on startups from tier-II and tier-III cities, said Union minister of commerce and industry Piyush Goyal, who was chairing the fourth roundtable with global VC funds.

The funds should explore new sectors for investing, promote and protect the intellectual property created by young Indian entrepreneurs, provide expertise to scale up, and explore greater capital infusion, including risk capital, the minister said, according to the ministry of commerce and industry.

The roundtable organized by the department for promotion of industry and internal trade (DPIIT), was held through video conference as part of the Startup India Innovation Week. More than 75 VC fund investors from across the US, Japan, Korea, and Singapore, as well as some global funds domiciled in India, participated in the deliberations. These funds, which have a combined asset under management of more than $30 billion in India, made several suggestions to boost the sentiment of investors in the sector.

The government has taken several steps to support startups and would continue to come up with more measures. The government has undertaken 49 regulatory reforms to enhance the ease of doing business, ease of raising capital, and to reduce the compliance burden, to support the startup ecosystem.

The roundtable was held to discuss the progress of the Indian startup-VC ecosystem, as well as insights on impact investing, India's global outlook, and opportunities for VC investments in the country.

The meeting covered topics such as 'building for the world from India', Digital India outlook, regulatory updates for global and domestic funds, opportunities in India, and 'Vision for India at 2047'. It also covered major regulatory issues that need to be addressed with the Centre.

The meeting was also attended by Anurag Jain, secretary, DPIIT, major Indian regulators, and policymakers.

India has more than 61,000 recognized startups spread across 55 industries, with 45% of them from tier-II and tier-III cities, and 45% of then having at least one woman director, the ministry said.

The startup fraternity should nurture 75 more unicorns in 2022, Goyal had said at the inaugural ceremony of the Startup India Innovation Week, earlier this week.

Govt to infuse Rs. 1,500 cr in IREDA to step up RE funding

The Cabinet cleared equity infusion of Rs 1,500 crore into IREDA (Indian Renewable Energy Development Agency) to boost its lending capacity as the government targets ssetting up of 450 GW green energy capacity as part of fulfilling its COP26 net-zero promise.

The equity infusion will enhance IREDA's net worth, boosting the agency's lending capacity to Rs 12,000 crore. This amount will be good enough for financing up to 4,000 MW of additional renewable capacity. This will lead to a reduction in carbon emission of more than 7 million tonnes CO2 per year.

IREDA's portfolio increased from Rs 8,800 crore to Rs 28,000 crore in the last six years. But according to RBI norms, loans can be extended on 20% of the agency's net worth. This rule capped IREDA's financing capacity to Rs 600 crore as its net worth is Rs 3,000 crore.

The additional equity will also improve the capital-to-risk weighted assets ratio (CRAR), which will facilitate its lending and borrowing operations, according to a government statement.

Cross-border trade a priority for MSMEs

As small and medium businesses in India learn to cope with changing market scenarios due to the ongoing pandemic, there has been a significant increase in their participation in online selling, social commerce and cross-border trade. As per a recent survey, 9 in 10 MSMEs say cross-border trade is a key area for business growth and 2 out of 3 MSMEs use social media as sales channel today.

The survey by PayPal India in partnership with Edelman Data and Intelligence, aims to understand how Indian MSMEs have adapted during the pandemic by adopting a digital-first approach while leveraging the global opportunity and their key priorities to scale up.

The MSME Digital Readiness Survey 2021 was conducted between October to November 2021. The respondent included small businesses and with 250 business decision markers of India's SME with annual turnover ranging from Rs 5 crore to Rs 250 crore. The businesses show an average turnover of Rs 123 crore and an average employee size of 386 persons. The sample endorses a mix of industry, mainly comprising the services (36%), production (28%) and retail and hospitality (16%) sector.

The survey highlighted that after two years since Covid-19 hit the country, more than half of small businesses (52%) witnessed a positive impact on their business once economies began to reopen. In fact, 29% of the MSMEs found that the business environment in India became more favourable for online sales and for 31% the cross-border opportunity was promising. ❑

Mutual Fund News

Sebi directs AMCs to form audit committee from August

Markets regulator Sebi has asked asset management companies (AMCs) to form audit committees which will be responsible for oversight of financial reporting process, audit process and compliance with laws and regulations, among others.

The circular will come into force with effect from August 1, 2022. Currently, audit committee exists at the level of trustees of mutual funds.

Sebi said the decision has been taken after taking into account the recommendation of Mutual Fund Advisory Committee and the feedback received from the industry and has come out with detailed outline for role, responsibility, membership and other features of the Audit Committee of AMC.

Mandate of the committee is to review the financial reporting processes, the system of internal controls and the audit processes for the mutual fund operations of the AMC.

Besides, it would be required to ensure that the rectifications, if any, suggested by internal and external auditors, among others, are acted upon.

"The Audit Committee of the AMC shall be responsible for oversight of financial reporting process, audit process, company's system of internal controls, compliance to laws and regulations and other related process, with specific reference to operation of its Mutual Fund business," Sebi said in its circular.

The regulator has laid down detailed powers and responsibilities of the committee with respect to financial reporting, audit (internal and statutory) and internal controls, regulatory compliance and other functions.

The internal auditor has to submit its report to the audit committees of AMC and the board of AMC, Sebi said.

The committee shall forward their observations on internal audit report, if any, to the trustees, it added.

Equity fund inflows slow from December high, SIPs hit new record

Most equity scheme categories got inflows, with flexicap funds getting the highest flows of Rs. 2,527 crore followed by sectoral funds at Rs. 2,073 crore and large-cap funds at Rs. 1,890 crore.

Individual investors continued to pour money into equity mutual funds in January for the eleventh straight month, but flows were lower compared to December as sharp swings in the stock market led to heightened caution. Equity schemes garnered 14,888 crore in January as against 25,077 crore in December. Collections through systematic investment plans (SIPs) increased to another record high of 11,517 crore as against 11,306 crore in the previous month.

Debt mutual funds too saw inflows of 5,088 crore, taking the industry's total assets under management (AUM) to an all-time high of 38.89 lakh crore, compared to the previous month's 37.92 lakh crore.

Fund officials and analysts said investors were more cautious in January. In December, the record flows of 25,077 crore were also on account of large collections by three new fund offers.

"Concerns over 'new' variants across Agencies the globe, relatively high valuations and rising inflation have likely led to a reduction in the magnitude of flows over the past month," says Kavitha Krishnan, senior analyst - manager research, Morningstar India.

The resilience in flows into equity mutual funds was despite selling by foreign institutions, who dumped stocks to the tune of 35,975 crore in January for the fourth straight month.

Equity mutual funds log Rs 14,888 crore net inflow in January

Equity mutual funds attracted a net sum of Rs 14,888 crore in January, making it the 11th consecutive monthly net inflow. However, this was much lower than the net inflow of Rs 25,077 crore witnessed in December, data from the Association of Mutual Funds in India (Amfi) showed.

Equity schemes have been witnessing net inflow since March 2021 and the segment has received a net inflow of over Rs 1 lakh crore during this period highlighting the positive sentiments among investors.

Prior to this, such schemes had consistently witnessed outflows for eight months from July 2020 to February 2021 losing Rs 46,791 crore.

Overall, the mutual fund industry registered a net inflow of Rs 35,252 crore during the period under review compared to a net outflow of Rs 4,350 crore in December.

The average under management (AUM) of the industry rose to Rs 38.88 lakh crore at January-end from Rs 37.72 lakh crore at December-end.

Sebi lays guidelines for mutual funds with respect to Indian Accounting Standards

Sebi came out with guidelines for asset management companies (AMCs) with respect to following Indian Accounting Standards (Ind AS). This comes after Sebi amended mutual fund rules which mandated AMCs to prepare the financial statements and accounts of the mutual fund schemes in accordance with Ind AS, with effect from April 1, 2023.

Under the guidelines, mutual fund schemes will have to prepare the opening balance sheet as on date of transition and the comparatives as per the requirements of Ind AS, Sebi said in a circular.

As per mutual fund rules, perspective historical per unit statistics requires disclosure of scheme wise per unit statistics for the past three years.

In this regard, Sebi said mutual fund schemes may not be mandatorily required to restate the previous years published perspective historical per unit statistics as per requirement of Ind AS for the first two years from first time adoption of Ind AS.

However, mutual fund schemes will have to furnish certain additional information in perspective historical per unit statistics.

These additional information are related to label the previous Generally Accepted Accounting Principles (GAAP) information prominently as not being prepared in accordance with Ind AS; and disclose the nature of the adjustments that would be required to make it comply with Ind AS. Mutual Funds schemes need not quantify those adjustments.

The financial statements of the mutual fund schemes will have to be prepared in a formats specified by the regulator.

Also, Sebi has certain tweaked guidelines in order to align with Ind AS requirement regarding transactions cost of investment to be expensed out (viz. to be charged to Revenue Account instead of Capitalisation).

As part of the modification, Sebi said brokerage and transaction cost incurred for the purpose of execution will be charged to the schemes up to 12 bps and 5 bps for cash market transactions and derivatives transactions, respectively.

Any payment towards brokerage and transaction costs, over and above the said 12 bps and 5 bps for cash market transactions and derivatives transactions, respectively may be charged to the scheme within the maximum limit of total expense ratio (TER).

The new framework will be effective from April 1, 2023, the Securities and Exchange Board of India (Sebi) said.

DSP Mutual Fund stops fresh inflow in six schemes

DSP Mutual Fund said it has stopped accepting inflows into its six schemes with international mandates.

The six schemes are - DSP US Flexible Equity Fund, DSP Global Allocation Fund, DSP World Gold Fund, DSP World Mining Fund, DSP World Agriculture Fund and DSP World Energy Fund.

The move comes after markets regulator Sebi directed mutual fund houses to stop taking fresh subscriptions in schemes investing in overseas stocks.

The directive to stop subscription is mainly on account of the mutual fund industry crossing the mandated limit of USD 7 billion for overseas investments.

"In view of the impending breach of the industry-wide overseas investment limit of USD 7 billion as currently permitted by RBI, Sebi has directed all asset management companies to stop accepting fresh inflows in schemes, which have the mandate to invest in overseas securities without the optionality to invest in Indian securities," the fund house said in a statement.

"Mutual funds can make overseas investments subject to a maximum of

USD 1 billion per mutual fund, within the overall industry limit of USD 7 billion," Sebi had said.

Mutual fund distributor launches Rs. 100 daily SIP for people in rural areas

Mutual fund distribution platform, ZFunds, introduced the launch of Rs. 100 daily mutual fund SIP, which is conceptualised particularly for people residing in rural areas and small cities.

The initiative is launched in collaboration with ICICI Prudential Mutual Fund, HDFC Mutual Fund, and Tata Mutual Fund, ZFunds mentioned in a press release.

Also, the corporate is in talks with a number of different fund homes to counterpoint its product suite.

Through this providing, ZFunds goals to deal with the necessity hole current in tier-2, tier-3 and tier 4 cities the place people earn on a daily foundation as a substitute of getting a month-to-month earnings.

The funding quantity as little as Rs. 100 will assist daily wage earners and small enterprise house owners to begin their funding journey from their daily earnings, ZFunds mentioned.

Within a brief span of time, ZFunds has registered greater than 3,000 daily systematic funding plans (SIPs) on its platform and goals to achieve 1 lakh daily SIPs by finish of FY23.

Sebi pulls up Samco MF for calling its scheme a 'pure' equity fund

The capital markets regulator has pulled up Samco Mutual Fund, a new entrant to the market, for calling its maiden scheme a pure equity fund and not incorporating the clauses pertaining to its tool to pick stocks in the scheme information document (SID) of the new fund offer (NFO).

The Securities and Exchange Board of India has also asked the fund house to change its "Stress Tested Mutual Fund" tagline.

Existing unit holders have the option to exit the scheme before February 24 without any exit load and the regulator has directed the fund house to pay interest at the rate of 15% a-year to such unit holder from the date of closure of the NFO till date of the payment.

The fund house launched the NFO of its maiden scheme, Samco Flexi Cap Fund, last month. The stock pick is based on an in-house proprietary investment framework, called the Hexashield Framework, which shortlists companies on six parameters: competitive strength and pricing power, balance sheet and insolvency, reinvestment and growth, corporate governance and leadership, cash flow and regulatory compliance.

Mutual fund industry crosses five-crore-SIPs-mark for the first time

The systematic investment plans (SIPs) in mutual fund (MF) industry crossed the five crore-mark in January even as market volatility pulled back the investor flows received by equity schemes.

The MF industry saw 26 lakh new SIPs being opened in January, showed AMFI data. This was higher than the average 24 lakh SIPs added by industry in past five months, industry executives say the long-term trends indicate that investors now understand the importance of SIPs.

"We have seen investors now being more mature and willing to continue their SIPs despite market ups and downs. Investors who have come in over last 4-5 years have seen the benefits of staying invested in equities and see through market volatility," says Neil Parikh, chief executive officer of PPFAS MF.

The stock markets have been volatile and this may be holding back some investors from opening fresh SIP accounts.

"The surpluses with investors tend to be low around Jan-March period as they are making their tax-planning investments in equity linked saving schemes or insurance policies. So, fresh account opening numbers can fluctuate depending upon market conditions and other factors, what is important is to see the SIP contributions coming into the industry," points out Rajiv Shastri, chief executive officer of NJ MF.

The monthly SIP contributions to mutual fund industry has been growing steadily. In January, monthly SIP contributions stood at Rs 11,516 crore, which was about two percent higher than previous month.

Financial planners say that it is important that investors continue their SIPs during market volatility.

"SIPs give investors the benefit of rupee cost averaging. So, when markets correct investors accumulate higher number of units at lower prices and when markets rally they fetch lesser units at higher price in the same SIP," says Amol Joshi, founder of Plan Rupee Investment Services.

This helps investors to keep their average buying price lower and also allows them to build a large corpus over time through staggered investments. ❑

Co-Operative Bank News

RBI imposes restrictions on Indian Mercantile Co-operative Bank Ltd

The Reserve Bank said it has imposed several restrictions on Indian Mercantile Cooperative Bank Ltd, Lucknow, including a cap of Rs 1 lakh on withdrawals. The restrictions came into force from closure of business hours on January 28, 2022.

In a statement, RBI said the Lucknow-based co-operative bank will not, without its prior approval, grant or renew any loans and advances, or make any investment.

"In particular, a sum not exceeding Rs 1 lakh of the total balance across all savings bank or current accounts or any other account of a depositor, may be allowed to be withdrawn...", subject to certain conditions, it added.

The central bank, however, added the directions should not per se be construed as a cancellation of the banking licence by the RBI.

"The bank will continue to undertake banking business with restrictions till further notification from RBI. The Reserve Bank may consider modifications of these Directions depending upon circumstances," it noted.

The restrictions would remain in force for six months and are subject to review.

New schemes under cooperation ministry to be rolled out from next fiscal: Amit Shah

The government has envisaged the introduction of new schemes to strengthen cooperative societies from the financial year 2022-23 onwards, Union Cooperation Minister Amit Shah told Parliament. In his written reply to the Upper House, Shah said that currently, there is only one scheme, namely the Central Sector Integrated Scheme on Agricultural Cooperation (CSISAC), for the promotion and development of the cooperative sector across the country.

Under CSISAC, assistance is given to National Cooperative Development Corporation (NCDC), Cooperative Education and Training; and National Co-operative Federation, he said.

"With the formation of a new ministry, the introduction of new schemes from the financial year 2022-23 onwards is envisaged," Shah said.

The new Ministry of Cooperation was created in July 2021 to strengthen the cooperative movement in the country.

NCUI hails merger of PMC BANK with Unity SFB; bats for security of depositors' money

Welcoming the merger of debt-ridden Punjab and Maharashtra Cooperative (PMC) Bank with Unity Small Finance Bank (Unity SFB), cooperative body NCUI said that it needs to be ensured that depositors' money is secure.

On January 25, the union finance ministry had approved the merger of PMC Bank with Unity SFB, protecting it from liquidation and bringing relief to all stakeholders. In a statement, National Cooperative Union of India (NCUI) President Dileep Sanghani welcomed the merger of PMC Bank with Unity Small Finance Bank.

However, he said that "it has to be ensured that the depositors' money is secure, and they are able to get back the money," an official statement said. Former NCUI President and Cooperative Bank of India Chairman G H Amin also welcomed the move saying, "This is the first cooperative bank which has been merged with a private bank. Now the money of the depositors, who are from both the cooperative and private sector, is safe and secure."

National Federation of State Cooperative Banks (NAFSCOB) Managing Director and International Cooperative Banking Association President Bhima Subrahmanyam said that the RBI draft scheme for merger of PMC bank with bigger Urban Cooperative Banks would have been more desirable.

RBI slaps fines on 5 banks totalling Rs 6.35 lakh for violating directions

The Reserve Bank of India imposed penalties totalling Rs 6.35 lakh against five banks for violating certain directions issued by the central bank.

The five banks are - Hyderabad District Co-Operative Central Bank Ltd; Jila Sahakari Kendriya Bank Maryadit, Gwalior; Vyavsaik Sahakari Bank Limited, Raipur; Mula Sahakari Bank Ltd., Sonai, Ahmednagar and Jila Sahakari Kendriya Bank Maryadit, Shivpuri .

RBI imposed a fine of Rs 2 lakh on Hyderabad District Co-Operative Central Bank violating certain directions issued by RBI contained in the "Circular on 'Income Recognition, Asset Classification and Provisioning- Recognition of Loan Impairment by State / Central Co-operative Banks dated December 30, 2002," read an official statement issued by the RBI.

RBI slapped a Rs 10,000 fine on Jila Sahakari Kendriya Bank Maryadit, Gwalior for contravention of directions issued by the RBI on Know Your Customer (KYC). The same day RBI also imposed a Rs 3 lakh fine on Vyavsaik Sahakari Bank Limited, Raipur for failing to comply with directions issued by RBI on Exposure Norms and Statutory/ Other Restrictions on UCBs and Board of Directors - UCBs.

RBI also fined Mula Sahakari Bank Ltd., Sonai, Ahmednagar, Rs 25,000 for non-adherence with directions issued by RBI to Urban Co-operative Banks on Exposure Norms & Statutory/Other Restrictions-UCBs.

Lastly, RBI imposed a Rs 1 lakh penalty on Jila Sahakari Kendriya Bank Maryadit, Shivpuri for "contravention of/ non-compliance with the provisions of the Banking Regulation Act, 1949 (the Act) and directions issued by the Reserve Bank of India (RBI) on Know Your Customer (KYC)."

RBI has explained its actions are based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the banks with their customers.

In all cases, the discrepancies were revealed in the inspection report of the banks based on their financial position as on March 31, 2020. RBI has issued a notice to the banks advising them to show cause as to why penalty should not be imposed for non-compliance with the directions.

After considering the banks' replies and oral submissions made during personal hearing, RBI came to the conclusion that the aforesaid charges of non-compliance with RBI directions were substantiated and warranted imposition of monetary penalty.

Malappuram district coop. bank merger soon

The Malappuram district cooperative bank will soon merge with the Kerala Bank, the Cooperation Department said.

The legal hurdles which had prevented the merger had been removed with the High Court permitting the State government to go ahead, Cooperation Minister V.N. Vasavan's office said in a statement.

The decision is to go ahead with the merger at the earliest with the approval of the Reserve Bank of India, the department said. Only the Malappuram district cooperative bank had stood apart when the Kerala Bank was created through the merger of 13 district cooperative banks.

The merger had replaced the three-tier system with a two-tier system, an arrangement which guaranteed better interest rates and profits to the cooperators, according to the department.

The reluctance of the Malappuram bank to be part of the merger prevented the extension of modern banking facilities that were introduced in the Kerala Bank.

Chennai Central Co-op Bank penalized

The Reserve Bank of India has imposed a monetary penalty of Rs 1 lakh on Chennai Central Co-operative Bank Ltd., Chennai, Tamil Nadu.

The bank was penalized for non-adherence of certain directions issued by RBI contained in the Circular on 'Income Recognition, Assets Classification, Provisioning and Other Related Matters dated June 22, 1996.

This penalty has been imposed in exercise of powers vested in RBI under and after taking into account the failure of the bank to adhere to the aforesaid directions issued by RBI.

This action is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers, clarified RBI. ❑

Legal News

Club membership, subscription, games fees are subject to GST: Maharashtra AAR

Membership fee, annual subscription fee and annual games fee collected from the members of club will now attract Goods & Services Tax (GST), the Maharashtra Authority for Advance Ruling (MAAR) has said.

This is the first ruling after the Centre notified an amendment in Section 7 of the CGST Law which brings clarity on the issue that club and members are two distinct persons. The amendment has been made effective from July 1.

Case study

The applicant, Poona Club, collects membership fees at the time of enrolment. All members have to pay annual subscription and games fees. Services and facilities provided to members are charged at rates, as fixed by the club. It moved the MAAR to seek advance rulings on whether membership fee collected from members at the time of giving membership, annual subscription fee and annual games fee were subjected to GST.

The applicant was of the opinion that such fees are not liable to GST as "the principle of mutuality is applicable in their case because the club and its members have the same identity." It argued that there is no profit motive, and the fee is collected for meeting various expenses such as administrative, maintenance etc. It emphasised that money collected through fees are taken to a common pool, from where it is spent back on members. "In the absence of two distinct persons and also in the absence of consideration, fees received from members do not qualify as a supply," it said.

The applicant also highlighted a ruling by the Supreme Court in favour of the assessee in the matter of Calcutta Sports Club. It may be noted that the Jharkhand High Court (in the matter of Ranchi Club) and some Authorities for Advance Ruling (Bowring Institute of Bangalore, etc) had given similar directives.

Defining 'supply'

Going through all the facts and after hearings, MAAR highlighted the notification issued on December 21, 2021, related to the amendment in Section 7 of the GST Act, which inserted a new clause that says the expression 'supply' will also include activities or transactions by a person, other than an individual, to its members or constituents or vice-versa, for cash, deferred payment or other valuable consideration. This new clause comes into effect from July 1, 2017.

What this means is that a club, an association or a society and their members will be treated as two distinct persons. Transactions between these two will be considered taxable. It may be noted that although such a provision was part of the schedule, some clubs, associations and societies were taking shelter under the principle of mutuality and not levying GST. Their stance was bolstered by the Supreme Court ruling.

Citing the notification, MAAR held that GST is to be applicable on membership, annual and games fees. Though the Authority has not specifically mentioned about restrospectivity, going by the provisions of the law, GST may be collected from July 1, 2017.

SC extends women's right to father's property to before '56

The Supreme Court conferred daughters with equal right to father's property even prior to codification of Hindu personal laws and enactment of the Hindu Succession Act in 1956 and said that the law of inheritance would apply to partition of properties even if the father had died intestate before 1956.

A bench of Justices S Abdul Nazeer and Krishna Murari gave the judgment and said selfacquired properties of a person, who died intestate in 1949, would devolve on his sole daughter, despite the man admittedly living in a joint family, and could not have passed on to the deceased person's brother on the basis of the survivorship law in force prior to 1956 and upon his death to his children.

Writing the judgment, Justice Murari said, "Since the property in question was admittedly the self-acquired property of Marappa Gounder, despite the family being in state of jointness upon his death intestate, his sole surviving daughter Kupayee Ammal will inherit the same by inheritance and the property shall not devolve by survivorship."

Referring to the ancient texts and Smritis, Justice Murari said, "It is clear that ancient text as also the Smritis, the commentaries written by various renowned learned persons and even judicial pronouncements have recognized the rights of several female heirs, the wives and the daughter's being the foremost of them." This could potentially open up disputes over properties partitioned prior to 1956 in which the daughters were not given any share and could result in the daughter's heirs seeking to reclaim their rights over the properties.

Accepting arguments of advocate P V Yogeswaran, counsel for the woman petitioner, the bench said succession of properties prior to 1956 would also include the daughter's right.

French court orders freezing of •3.8m Indian asset on Devas' Plea

A French court has granted a plea by shareholders of satellite maker Devas Multimedia claiming rights over a Paris apartment that houses India's Deputy Chief of Mission in a bid to enforce a $1.3 billion arbitration award in the decade-long legal battle over a cancelled satellite deal.

The court awarded the lien - a legal right over assets to cover debts - on September 25, 2021, according to a copy of the court order reviewed. The upscale apartment in Paris's 16th arrondissement is valued at •3.8million, Devas said in a statement.

"India has assets like this all over the world. This is just the beginning. We're planning many more seizures," Jay Newman, senior adviser to Devas Shareholders, a group that includes US investment firms Columbia Capital and Telecom Ventures as well as Deutsche Telekom.

Government sources declined comment on the development. Bengaluru-based Devas has won several arbitral awards over the cancelled satellite deal with Antrix Corp, the commercial arm of the Indian Space Research Agency dating back to 2011.

This includes a $1.3 billion award (including interest and chargers) order at the International Chamber of Commerce's court of arbitration in 2015. The French court order reveals that three investors CC/Devas Mauritius, Telcom Devas Mauritius and Devas Employees Mauritius Pvt Ltd sought the seizure of Indian government assets to enforce the contested arbitration award.

In 2021, Devas's overseas shareholders approached courts in the US, Canada and elsewhere, accusing India of failing to honour the arbitral awards and seeking to capture the country's assets abroad. They also hired former Elliott Management executive Newman to help collect the arbitral awards.

Earlier this month, a Canadian court authorised the seizure of assets belonging to the Airport Authority of India and Air India held with the International Air Transport Association (IATA) in the Quebec province and internationally. ❑

Hyderabad: Crooks used 'hi-tech tools' to hack Mahesh bank server

Cyber fraudsters who siphoned off 12 crore from AP Mahesh Co-Operative Urban Bank have used sophisticated hacking tools and even compromised the cell phone security of three account holders, believe investigators. Of the three account holders, police managed to lay their hands on one customer, Vinod Kumar, who claimed he was unaware the fraudsters used his bank account as a launchpad to transfer siphoned off funds to multiple bank accounts across the country.

The investigators now believe that the fraudsters who gained access to the server of the bank strategically on a non-working day, have somehow managed to gain access to the three customer accounts. "In The Telangana State Co-operative Apex Bank Limited (TSCAB) hacking case, the Nigerian fraudsters lured three account holders to provide their bank account access details for money transfer through IMPS (Immediate Payment Service) channel by offering commission.

LKP Securities Ties up with HDFC Bank Ltd. to Launch 3-in-1 Account

LKP Securities Ltd. has entered into an arrangement with HDFC Bank Ltd to offer a special 3-in-1 online account. Under this facility, customers of LKP Securities Ltd. can complete thier bank account opening formalities and gain added benefits of broking and demat account.

The 3-in-1 account offers a host of benefits including no annual maintenance charges (AMC) for one year from the trading account opening date and waiver on brokerage charges of up to Rs 500 for one month from the date of demat account opening. The demat and trading accounts also provide the facility to trade in other segments like commodities and currency.

The 3-in1 account facilitates swift fund transfer between the bank account and trading account as clients no longer have to go through a lengthy authentication process. A secure online account opening process enables them to open the 3-in-1 online account. They can start trading in NSE, BSE and MCX shares using the mobile trading app GETSETGROW@LKP which can be downloaded from Google Play Store and Apple App Store.

The clients of LKP Securities Ltd. can also monitor their trading portfolio, transact in mutual funds, apply for all IPOs using the app with E-IPO and trade in the futures and options market. The clients can access their account details on desktops and smartphones to track their investment portfolio as well.

“At LKP Securities Ltd., our endeavours have always been to make investing simpler, seamless and hassle-free for our clients. Our 3-1in-1 online account with multiple utility features and benefits brings in a superior investing experience. It presents an impeccable mix of banking and investing, enabling our clients to leverage all market opportunities. We would like to thank HDFC Bank Ltd. for agreeing to be a part of the initiative, doubling the trust for us and the investors,” stated Pratik Doshi, Managing Director at LKP Securities.

“This joint initiative with LKP Securities Ltd. aims to deliver an enhanced customer experience by offering ease of opening trading, demat and bank account digitally with a single journey in a seamless manner. Customers will also benefit from HDFC Bank Ltd. wide range of banking products. This kicks off an exciting journey which will allow LKP Securities Ltd. and HDFC Bank Ltd. to explore untapped opportunities in the broking-banking space,” said Mr. Anand Mankodi, Business Head - Capital Markets and Financial Institutions Group, HDFC Bank Ltd.

No decision on bank privatisation, merger of insurance PSUs put on hold

The Finance Ministry said a decision is yet to be taken on the privatisation of the Public Sector Banks. At the same time, merger of three public sector general insurance companies has been put off.

Junior Minister in the Finance Ministry Dr Bhagwat Karad said in a written reply in Lok Sabha said that as per inputs received from the Department of Investment and Public Assets Management (DIPAM), the government has not yet decided on the banks that are to be privatised. "The amendments to the relevant Acts are required to be done before initiating the process of privatisation," he said.

Finance Minister Nirmala Sitharaman, in her budget speech of FY2021-22, had announced that two of the public sector banks would be privatised. She had also announced that a bill will be introduced. However, this bill is yet to be listed for introduction in the Parliament. It seems strong protests from the employee unions and elections in five States have stopped the process.

Meanwhile, Karad said that the government has received representations from the bank unions wherein they have expressed their views and concerns on the matter of privatisation of banks. Further, "DIPAM has informed that the representations with regard to strategic divestment of CPSEs and banks received from various stakeholders including the employee's unions from time to time are duly examined as per the extant disinvestment policy of the government," he said.

KARUR VYSYA BANK (KVB) joins hands with UNANU for Digital Freight Finance

India's unorganized logistics sector is now embracing technology at a faster pace to get the high visibility of both non-financial and financial transactions. The working capital cycle is longer due to credit period prevailing in this sector. Due to this, the Transport Contractors Business Volume is restricted and they are not able to expand their business with both new shippers and existing shippers. KVB was able to quickly visualize the potential that this space has and they have come out with a programme to fund the Transport contractors using the end to end Logistics Technology platform. The Technology Platform will provide a complete flow of transactions from the time the material is picked from shippers to unloading the material at the consignee's place. All this come in a digital format that is easy to track and handle the transactions which will solve the lacuna that is currently prevailing in the existing logistics business.

Unanu Technologies (UNANU), a major End to End Logistics Software Platform provider which developed the complete suite of the product to cater to the Logistics Industry was quick in adapting the whole programme and built the Freight Financing System within their suite of software platform. Using UNANU's niche software platform module "U-Turbo - a marketplace", they will be able to on-board logistics companies and shippers to this Freight Financing programme. The software platform provided by Unanu has a complete visibility right from the time the material is picked up from shipper (Proof of Pick up) till the same reaches the destination (Proof of Delivery). In transit tracking of the truck is also provided with the associated software/hardware. The digitized document at each stage is captured in the software platform which comes in handy for KVB to verify the authenticity of the transactions. The software platform further has a feature to raise invoices to the shipper by the Transport contractors that is seamlessly captured in the Digital Freight Finance System. This feature will enable KVB to fund based on the Invoice and other mandatory documents that are available in the Digital Freight Finance System.

"This Digital Freight Finance Programme will go a long way in releasing the working capital which otherwise has a longer cycle time. This ultimately will enable the Transport contractors to expand their business volume" said Mr. B. Ramesh Babu, MD & CEO of KVB.

Srini Sundar, CEO, UNANU Technologies has also highlighted that the next version of UNANU's digital freight financing will be Blockchain enabled to have integrity and security in transactions.

"KVB is the first bank to tie up with UNANU to introduce Digital Freight Financing through marketplace in Banking Sector to facilitate funding to the Logistics Transport contractors", said Mr. Natarajan, President and Chief Operating Officer of KVB.

RBI to suck out $5 billion liquidity from the system ahead of LIC IPO

The Reserve Bank of India (RBI) has announced a dollar-rupee two-year sell-buy swap auction for $5 billion on March 8, which will suck out rupee liquidity from the system.

The swap will be in the nature of a simple sell/buy foreign exchange from the RBI side, in which a bank will buy US dollars from the central bank and simultaneously agree to sell the same amount of US dollars at the end of the swap period.

"With a view to elongating the maturity profile of its forward book and smoothen the receivables relating to forward assets, it has been decided to undertake sell/buy swap auction of $5 billion on March 8, 2022," the RBI said in a statement. The auction cut-off will be based on the premium amount in paisa terms up to two decimal points.

In the first leg of the transaction, the bank will buy US dollars from the RBI at the FBIL Reference Rate of the auction date. The settlement of the first leg of the swap will take place on spot basis from the date of transaction and the RBI will debit the Rupee funds from the current account of the successful bidder and the bidder will receive US dollars into its nostro account. In the reverse leg of the swap transaction, that is, after two years, US dollars will have to be returned to the Reserve Bank, to get the Rupee funds back including the swap premium.

ROLE OF HR IN BUILDING ORGANIZATIONAL RESILIENCE

Abstract of the article

The Coronavirus pandemic has taught us many lessons & one of the most important lessons for the organization is to assess regularly "How prepared are we to bounce back". Individual resilient behavior is needed when an organization is in crises or in transformation. Without individual resilient behavior, it is difficult for an organization to be resilient. This article highlights the role of human resource department in building individual resilient behavior which in turn results in Organizational Resilience.

The Pandemic has taught us many lessons & one of the most important lessons for the organization is to assess regularly "How prepared are we to bounce back".

Introduction

Resilience is the ability to bounce back from difficulty. An organization's resilient behavior or ability to respond to challenging situation is a strategic aspect of the organization. Resilient organizations do not only respond to specific crises, they can also anticipate upcoming changes and prevent their business from being adversely affected by those changes. Individual resilient behavior is needed when an organization is in crises or in transformation. Without individual resilient behavior, it is difficult for an organization to be resilient. The role of human resource department is very important for developing an employee's resilience, which in turn will result in organizational resilience and organizational sustainability.

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When business impacted adversely, it is the people that make recovery and victory possible. What the organizations are giving to their people, it revert back to the organizations in terms of better output and better productivity. We have learnt this lesson from the widespread pandemic Covid 19. The industries and organizations, those has taken proactive measure to protect their people in this pandemic, has recovered early and moved on the growth trajectory once again. This pandemic has impacted all the industries. Pandemic has hit the employee's physical, mental and emotional wellbeing. People are working in fear and worries. The outbreak of coronavirus disease, has adversely affected the moral of the employees. Many people have lost their life in this unprecedented disaster, many have suffered financially due to high expenditure on medical treatment and many are still struggling for their mental and emotional wellbeing.

In this rapidly changing environment, when the people are facing many challenges; the role of the HR department has become extremely important. Keeping workforce happy, healthy and productive amidst all these challenges is one of the prime concerns before the HR department. HR has to find the innovative ways to keep the workforce align to the organizational objectives and has to make a bigger impact to boost the morale of the workforce.

Employees Wellbeing & Individual Resilient behavior: -

The employees have shown tremendous courage and dedication in this unprecedented time to provide the uninterrupted service to their customers. But the virus is more fatal this time. Many employees are infected by this deadly virus while performing their duty causing severe health issues. We have lost many of our friends and colleagues. This is uncertain time for employees and their family members and we are seeing a major surge in panic, depression and anxiety among employees. These unprecedented times has raised the stress levels of the employees and the onus is on the HR department to channel these emotions in order to keep their employees safe, motivated and productive.

Firms have taken various measures to protect their employees. From 'work from anywhere' to 'limited working hour', firms are adopting all measures to protect the employees from this deadly virus. Still there is need to adopt the innovative ways to provide safe & healthy work environment to the employees. Some of things that the HR should do on a continuous basis are as follows:-

- ❖ HR is responsible for building safe space for employees to perform their role to the best of their abilities and provide them with self-care tools and resources.
- ❖ HR has to ensure regular test and screening that are becoming norms in the new normal.
- ❖ There is need of employee's education on how to prevent, identify and manage issues like depression, anxiety and low self- esteem.
- ❖ HR has to step up and support their employees and prioritize their mental and emotional wellbeing.
- ❖ HR has to encourage employees to take time for self-care and for caring their friends & family members.
- ❖ HR needs to offer expanded support in everything from employee's assistance programs to programs for mindfulness, exercise, nutrition and financial counseling on continuous basis and adopt these programs as a routine exercise.
- ❖ To inculcate mindfulness in the workforce, HR will have to go beyond the annual retreat and make programs that not only support team building but also provide employees with emotional and psychological strength to deal with an increasing uncertain world.
- ❖ Most importantly, during this exceptionally stressful time, keep lines of communication open and regularly keeping them informed about the resources and benefits available to them.
- ❖ Employees with a greater sense of holistic wellbeing can contribute more fully and bring their best to their work.

Employees wellbeing have a direct impact of their resilient behavior and consequently on the business results. In the situation like this, HR, in addition to handling the business requirements, is also responsible for managing concerns and apprehensions of their employees.

Power of Human Connection- Facilitating communications among employees

The one thing that is incredibly important is the power of human connection. For developing individual resilient behavior, communication plays a very important role. HR needs to encourage open conversation among the employees to share their problems & concerns. This will help in building a good relationship among the employees and they will come forward to help each other at this time of crisis. HR will also need to create opportunities for regular and continuous communication among employees. These interactions will help employees to come out with the new ideas to solve the problems. To nurture these kinds of workplace relationship, HR needs to make continuous efforts to build bond between the employees. This culture of healthy relationship will be reflected in the resilient behavior of the employees and also in the organization.

Communication in crisis-

Communication in crisis is very critical element. How HR communicates in the time of crisis means a lot for the employees. A message which shows that our organization is not going to leave any room to protect our people in this difficult time will boost the moral and enhance the faith of the employees on the HR. The magical words like "we are here for you" is a like panacea which can infuse new energy in the workforce. The continuous communication from HR will help to understand what kind of challenges employees are facing while performing their duty, what are their concerns, what need and support they require to perform their duty effectively. This continuous communication from the HR will build trust among the employees and will encourage them to perform better under any circumstances.

Business Continuity& Strategic Business Partnering: -

All these things are interrelated, business is driven by the people and if the people are having problems & concerns it has a direct impact on the performance of the organization. One way, HR is the advocate of the employees for addressing the concerns, on the otherhand, HR is equally responsible for the business continuity and continuous growth of the business. HR is the true strategic business partner and a true consultant of the management on the people issues. The Covid has taught us that if organizations are ignoring the health and wellbeing of the employees it will be very difficult to ensure the business continuity to achieve the desired results.

Considering business continuity plan to deal with such

exigencies, firms need to have system, procedure, policies in place. Organizations need to review policies on workplace flexibility and remote working to make them future ready to deal with such type of pandemic.

Now HR has to transform itself from an operational one to more strategic partner of the business. HR should have a fair idea about the extent that any people issue can impact the business productivity. Role of HR has changed significantly over a period of time. As a true business partner, HR needs to have an overall knowledge of business and work and on the basis of that they need to form the HR strategy. Ensuring the business continuity in such type of pandemic shows the HR's ability to handle the crisis well.

Building Trust & Credibility

Building trust is an ongoing journey and one that has several steps. The first step is creating an environment in which care is felt. When the employees feel the organization cares for them, they have higher level of trust .HR needs to develop the culture of care, support and flexibility. Communication with employees on regular basis, listening and being responsive when they express concerns and coaching conversation will prove to be highly effective in building a culture of trust.

Every small step of HR towards addressing the employees concerns make a foundation of the trust & credibility. When the employees of the organization start feeling that there is someone to take care of them that is the beginning of trustworthiness. HR proactive measures towards employee's wellbeing at the time of pandemic will win the trust of the employees. HR needs to develop the culture of care & respect in the organization. This will ensure the continuous growth of the organization.

'Human' aspect at the time of Digital Push

In this era of Digitalization, most of the communications are digital. People are communicating digitally. Most of the HR process has digitalized and the opportunities of personal engagement has reduced drastically. Digitalization is the need of the hour which is having many advantages like cost effectiveness, time saving and the transparency. But HR needs to take care that the engagement with employees at a personal level does not end. HR needs to explore the ways of engaging at a personal level and to be humane with the employees. It is all about discovering effective ways of engagement to address the challenges of the workforce. It should be the right mix of technology and personal engagement so the "Human" aspect will always be taken care.

Creating a culture of spirituality at work: -

Spirituality at work is something that HR of any organization dreams to have. It is about values at individual and organization level, workplace ethics and integrity, mutual respect, caring and sharing, empathy, teamwork and social and community wellbeing. Spirituality is about getting best HR practices under one umbrella. It is not only about following values of trust, empathy, community, teamwork but also being true to the organizational ethics. The good practices at work are already there in the firms, but still there is a need to look again keeping in mind the current workplace challenges. There is a need to develop a culture of workplace spirituality that will come automatically from within and it will remain forever in the air of the organization. Such cultural initiatives should come from the top-level to lead by example., which can then percolate down to the higher and middle level management and then to the organization at large.

Particularly new generation organizations are struggling to have spirituality at work. Firms have witnessed many workplace frauds and the involvement of the internal employees. HR has to define spirituality at work in the organization concept, within the broad framework of workplace spirituality, to set the standards for the organization.

The employee's interest has to be kept at the fore front in enabling employees to have effective work life balance, flexibility at work and an open communication, citing that the benefits come at a cost and the price is worth a better living for mutual benefits. When all HR process will align with the spirit at work, firm can rediscover itself for reaching the new heights.

Way Forward

HR has to play a bigger role with more human focused approach. The change and challenge will always be there, but how HR responds to a crisis makes a difference. Care, support and respect are the things that an employee is expecting for the HR. Developing the people, empowering them with knowledge, skill and attitude, supporting and caring and respecting their individuality are things where HR needs to find innovative ways. These things along with the spirituality at workplace will result in highly motivated, inspired, happy and healthy workforce. We will see then, the tremendous result in terms of the growth in business and the economy.

Conclusion: -

Employee resilient behavior contributes to the continuous process of organizational resilient behavior. The resilient behavior can be developed through a social process led by the HR department of the organization. This process may involve valuing employees by honoring them for their contribution to the organization, facilitating the employee's physical, mental, emotional and spiritual wellbeing and the employee empowerment through continuous learning & development efforts. The HR department can also appreciate employees by implementing strategic human resource management practices in the organization. In turn they will work hard for the organization and will contribute in the organizations' sustainability in a long run.

Individual resilient behavior is fundamental in an organization, especially during crisis management, transformation and turbulent conditions to be more resilient. Individual resilient behavior impacts resilient organizational behavior and to develop resilient behavior in individual, organizations should adopt a high performance working system in which the priority being given to the health & wellbeing of the employees over business, a culture which promotes healthy relationships, continuous communication, trust & credibility and spirituality at workplace, where employee can perform in their true potential even in the time of crisis. ❑

RETAIL LENDING IN RURAL AREA: NEED A HOLISTIC INNOVATIVE APPROACH

Most of the Indian population is living in the villages and the agriculturists are playing a vital role in the economic development. Agriculture credit is helping them and it provides livelihood to the country's population. But only agriculture credit is not sufficient for them. Other credit requirements are also there for them. One of the most important is the retail credit because they also require house, vehicle and other essentials to change their life style.

So far we are thinking about economic development in the Urban/ Metro areas and this rural segment is left behind, even though the income level has increased substantially; because the lower income groups are moved to middle income group in rural areas. It has been observed that, due to increase in literacy rate and unemployment in the agriculture sector, rural people are forced to go for non-agriculture activities to get the other income. The presence of increased middle income group in Rural Area demands credit facilities at par with the urban people and providing ample opportunities to the banks to extend credit to non-farm sector. Retail Credit is also an important instrument for rural development. Retail lending in India is not new for banking but it needs a reform, considering the difference in livelihoods of Urban and Rural People.

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There are several efforts witnessed from banks to catch the agriculture loans in rural areas but there is no evidence for tapping retail loans in rural area. Banks are seeing the Retail Credit growth in Urban/Metro areas but they are not putting required efforts for the growth in rural areas. In rural lending the growth is found in agriculture and small business loans but still not finding growth in retail lending.

There is a significant flow of bank credit to finance agriculture and allied activities compared to retail credit in rural areas. Over the past few years, there is a lot of retail lending in Urban/Metro areas but rural areas are still suffering from such financial services. This is mainly due to security, income proofs and other documents required by banks which is not easily available with the rural people. There is a limited access of Retail Lending Products in rural population and still informal sources are very much effective in Rural Lending, Banks have still not reached to the potential in the area although the rural economy constitutes of around 50% of GDP.

If we talk about holding of credit cards by rural people, it will be almost zero or only few people have availed this facility, although in recent years retail banking has evolved as key area for growth in Indian Banking which is evident by rising trends in retail loans.

Major factors affecting Rural Retail Credit Growth:

- **Lack of Marketing efforts:** In Rural Area different marketing approach is required to catch the business, as the nature and characteristics of the area is quite different than the urban area. There is lack of proper marketing efforts to wards reaching the last mile. For marketing in rural area familiarity with the area, proficiency in local language, acquaintance with Rural Folks, Public Relations, need based sponsorship is required.
- **Small Loan Accounts:** Unlike urban area the loan size of the rural area is small. But banks are targeting for big ticket size advances so their retail business concentration is low in this area.
- **Lack of Security:** In Rural area the land records was not updated or the property ownership was not transferred to the present owner in case of ancestral properties. But at present people are also aware about that and State Governments have also taken initiatives to update the land records.
- **No specific product:** No Specific Retail Lending Products for rural areas are designed and developed by financial institutions to tap the market. There is a need of customer specific/ area specific product or offering on regular basis.
- **Lack of Margin:** In the past due to low income in this area the required margin was not available with the people, but their income level has increased and they have also inculcated the savings habits.
- **Rejections of Loans:** Rural people are new to the retail lending and their repayment behaviour is unknown which may be the threat to the banks and chances of rejection are more.

Banks Approach needs an innovation:

Rural areas have special characteristics and their required product should be as per the specific needs of the person. Reaching to the villages of eastern U.P. (Uttar Pradesh) requires a different banking practices than the rich centres of Bengaluru and Mumbai. For growth in the Rural Areas banks have to consider customer expectations, technological capabilities, regulatory requirements, demographics and economics. Anytime, anywhere banking using differentiated channels and technology will enable a multi fold increase of reach in rural & remote area. Bank/ Branch has to develop the ability to view customers as a "segment of one" recognizing their uniqueness and tailoring their offerings so that customers view banks as "meeting their needs" not pushing products.

A few numbers of simple products can be customized and the bank has to maintain long term relationship with this segment for doing the series of transactions in Retail Lending and Cross Selling. Banks are looking for an opportunity in urban areas, due to urbanisation they require houses/ vehicle for a better life style; if same concentration can be given in the rural area then people will not move to the urban areas. For capturing the needs of low income groups, skilled employees are to be posted in Rural Branches. The following innovative approach can be adopted:

- Product innovation - as per area specific scheme.
- Tapping of potential rural customers.

- Cross Selling of Retail Lending Products through the Jan Dhan Accounts.
- Improved process and bundled product offerings.
- Customer specific product or offering on regular basis.
- Focus on understanding customer needs or preferences.
- Moving from class retail lending to mass retail lending.

Drivers for Retail Growth in Rural Areas:

There are a lot of improvements witnessed in the rural area like communication, connectivity, literacy etc. The following points which is indicating the scope of retail lending opportunities in the rural area:

- Increase in business and economic activities
- Change in demographics
- Increase in disposable income and purchasing power
- Increase in literacy level
- Technological enrichment
- Increase in financial literacy
- Improved lifestyles at par with urban people
- Nuclear family concept started in rural area
- Need of higher/ professional education

Future Strategies...................

There is a tremendous scope for increasing credit to retail segment in rural area. Rural Retail Consumer who represents a huge untapped market for consumer credit will be the more profitable sector for banks. The data base available with the banks will be the main source of their demographic and information that can be used by the banks to targeting those customer segments. The detailed consumer databases are available for data mining to design customized financial services/products.

The banks have to update the database of consumer as credit information. Customer in Rural Area demands highly personalized banking products and services. Understanding the rural customer behaviour, offering customized products, doing the right partnership/ collaborations and developing the appropriate business models and organization structure is the pre-requisite for the banks to tap the vast potential of rural area.

Affordable Retail loan products in Rural Area are basic demands similar to the urban area. Housing Loan, Vehicle Loan, Education Loan and Personal Loans are the main penetrating products of Retail Lending in Rural Area. Apart from these products the penetration of Credit Card will also be the beneficial product. There is huge demand of housing in rural area and the majority of the housing is self- financed; except some of the weaker section housing through the Govt. Schemes. There is a need of financial innovation in housing sector in rural area.

There is sharp increase in the literacy level in the rural area and the parents are willing for professional and higher education for their wards. There is need of education loan for such parents and students for pursuing the higher/ professional education. Government has already announced the interest subsidy scheme under education loan for lower income group. Banks have to design and develop the special educational loan scheme for such parents/ students where there is lack of security/collaterals and they need higher quantum of loan.

Several efforts made by RBI as well as Central Government to boost agriculture credit by establishing Regional Rural Banks and National Bank for Agriculture & Rural Development (NABARD) and scheme like Mudra Loans, PMEGP etc. for small business. Several Government Subsidy Schemes are implemented by State and Central Govt. to boost the agriculture and business loans. There is a need of many such efforts to boost the Retail Credit in Rural area by establishing Small Retail Loan Banks/ Retail Loan Subsidy Scheme/ Prime Minister Scheme for Retail Loans etc.

RBI has imposed regulatory ceiling/target for agriculture and small business loans under priority sector but there is no such ceiling/ target imposed for Retail Loans under priority sector classification. So there is a need of such ceiling/target to be imposed by RBI for retail loans for rural area as a part of priority sector lending. RBI may impose ceiling on interest rate for Retail Loans for these sectors.

We hope Indian Banks are expected to see strong growth in Retail Lending in Rural area over the years. In near future, banks with vision and mission will try to capture this Retail lending opportunities through a series of innovative additions to their products, services & technology and marketing methods. ❑

RENDITION OF HR DIGITAL TRANSFORMATION

In the last few years, the phrase "Digital Transformation" has become universal owing to its large-scale acceptance and implementation in various fields. The metamorphosis of a conventional business based on human operated processes into a technology driven all functions - may be summarised as one such instance. Further, incorporating the intricacies of HR functionality through digital shift opens the avenues of novel, efficacious, and beneficial modes apt for the incipient importunity rendering promptness, 24/7 universal admittance, pace and veracity.

Influencers of HR Digital Transformation

Over the last few decades, the business world has witnessed rapid dynamic transmutation owing to transformation of some leading companies. For instance, Facebook which started initially as a social network platform has transformed into a largest media company and the paradox being it does not create any indigenous content. The customer experience has also witnessed a revolutionary approach. Smartphones, besides providing the ease of communication also offers a plethora of other user-friendly functionalities such as banking on fingertips, remotely regulating the various appliances at home, instant notifying the world about present location, ordering products from distant places, and getting it delivered at preferred location which ultimately enhances the digital experience.

As opined by experts that HR digital transformations plays a dual role of process and outcome signifying the fact that it no longer remains a radical change but represents an evolutionary phenomenon. Besides digitization, the progression in business with technology at its center also encompasses a drift in the perception and ethos of an organization.

Hindrances in the path of HR Digital Transformation

Technology is undoubtedly the crucial aviator for rendering


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HR digital transformations. However, it also has to be kept in mind that for any organization, investment in technology is worth only if alienated properly and conclusively utilized to deliver expected results. Besides defiance to changes, an organization also bears the following hindrances in the journey of HR digital transformation:

- Inadequacy in determining the unclouded objective to be accomplished through the transformation.
- Dearth of budget/resources to implement the transformation
- Scarcity of skill and competency in leading the transformations
- Paucity of dexterity in ascending new digital solutions
- Pandemic has brought in the continual employee management and engagement from remote settings in certain organization which poses challenges in management of communications and data security.
- Social media challenges have forced organization to ponder upon the employee best practices and management policies in managing the employer brands.

Enablers of HR Digital Transformation

For any organisation undergoing HR digital transformation must consider the following enablers necessary for its successful implementation:

- Elucidate the clear objective to be realised by systematisation of the transformation which further caters in ascertaining real outcome-oriented benefits to the end users that can be measured and enhance business value by casting a positive financial impact
- Determinate the actual executor of the transformations whose roles and responsibilities are interweaved with the transformation so that the execution is smooth and error free

- Assurance of adequate resources for ensuring timely and perfect execution
- Demarcation of execution timeline and achievement of associated milestones in the journey of transformation
- Segregation of processes and functions terminable with the transformation in a well-defined sequence
- Complete involvement of the stakeholders from the inception to the end results
- Equip the employees well to handle the transition and prepare a backup plan for withstanding the failure, if any
- Constitute the perception of digitalization with a clear message that Digital transformation is not equivalent or restricted to automation but goes beyond in creating an all-in workforce approach, with augmented business dexterity, more exhaustive and effectual usage of comprehending services, edging and upskilling a more diverse workforce.

Visualization of future workforce with digital competencies

The future workforce shall comprise a mix of different generation viz Baby Boomers, Gen X, Gen Y (Millennials) and Gen Z representing a surge in the unanticipated workers and the formulation of a universal pool of expertise. These diversities shall enhance the entanglement of HR which necessitates the imbibement of following digital competencies:

- Adoption of technology as facilitator
- Acceptance of severance caused by change of varied nature and pace for better understanding of predictability caused by introduction of new incomprehensible variables
- Capitalization of information technology in unleashing the concealed utility
- Accomplishing command over iteration to ensure convenient ascend of transition propelled by miniscule steps and cumulations
- Handling congregation intelligently to ensure that their agility benefits the organization and vice-versa.
- Maintenance of equilibrium between usage of science and data in congruence with the human element - the decisive factor

Proper assimilation of the digital competencies shall aid

employees and employers in harnessing the digital future for betterment of all.

Contemporary vs Future work culture

In the dynamic business world, Human resource expectation of the organizations have surpassed its growth. At this critical juncture, attractions and retention of the best talent shall decide the way forward and hence compels for reconceptualization and reconstruction of the work culture. Modernization in the approach shall help in sailing through the uncertainty of real times with better clarity across the organization, persuasive collusion across aggregation and extermination of manual assignment and monotonous processes.

Some of the HR areas with probable vivid future changes may be summarized as:

- **Accretion and embracing talent**
  In the present context recruitment and attainment of apt talent seems to be arduous for any organization due to existence of talent war, branding of employers and operational management issues. The future however paves the way for an accelerated and extensive recruitment system centered about applicant's experience with relationship management technology augmented by the inputs from Artificial Intelligence that will support the recruitment cycle throughout - starting from on boarding, continuous computation of the abilities ensuring success of future roles till retirement.

- **Unceasing administration of performances:**
  The current scenario indulges in giving out ratings, assimilating continuous feedback, providing SMART goals with robust data, calibrating team performances, redesignating the decision-making techniques with the available digital capabilities. The future blends development plans which are pre populous with the 24/7 personality assessments cinched to role and anniversary performance assessment coupled with resources for challenging conversations, thorough engagement features, team management instruments etc. all unified under routine work.

- **Ascent of workforce centered logic**
  Till recent past, organizations have elevated HR data warehouses to cutting edge analytics characterized by reporting dashboards and predictive models. The future goes beyond and inculcates innovations and comprehensible natural language system interlaced with analytics to interpret patterns in unexplored features such as communications, performance etc which may ultimately help in anticipating employee's behaviour, correlate behaviour and performance with successions and forecast potential safety issues and security ruptures.

The future work culture envisages transposition from cloud to mobile accompanied by outburst in analytics and artificial intelligence, and the evolution of video societal recruitment and wear ables in the workplace.

Conclusion:

The transformation is expected to render long term positive effect by integrating the work culture with employee engagement and technologies thereby eradicating the communication hurdles and revamping employee experience by augmenting competence and modernization. Unique digital experience shall propel the transformation by adopting technology in routine works and making it a part and parcel of daily schedule. It is the best time for HR to entwine the digital metamorphosis, precede transformations and engage employees in garnering the privileges.

It is pertinent to mention that Digital Transformation in HR is not constricted in silos i.e about HR team and processes only but incorporates a wide range transposition which is linked to the entire organization as one entity. It is crucial to note that no scientific advancement viz automation, Artificial Intelligence, or digitization etc can take off the 'Art' of HR functionaries' roles as Counsellor, Coach, the Strategic business partner and Change agent. In the coming days, HR teams have to strike an equilibrium between the "Science" &"Art" of HR in their venture in creating future workplaces.

(Views and Opinions expressed in the article belongs to the author and not of the bank) ❑

SPECIAL PURPOSE ACQUISITION COMPANIES (SPACS)

Introduction

The Special Purpose Acquisition Companies (SPACs)have been since 2003 in US but have been growing in popularity throughout the world due to number of reasons like growth potential of target businesses, time consuming process of traditional IPO, credibility of sponsor and availability of liquid securities in the post COVID-19 times.

Since the substantial funds have been already raised by SPACs in the recent past and a significant portion of these funds remain to be deployed in target across the globe, it is expected that many more SPAC transactions may be consummated in the near-future.

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What is SPAC?

SPAC is company with no commercial operations or any specific business plan or has indicated that its business plan is to engage in a business combination (i.e. a merger or acquisition). In other words, a SPAC is formed strictly for the purpose of raising capital through an IPO and using those funds to acquire an operating business.These types of companies are popularly known as 'Blank Check Companies' which are raising blind pool of cash through IPO to acquire a private operating company.

SPACs bring together experienced management teams, often comprising industry veterans, private equity sponsors who can leverage their expertise to raise capital to acquire, then operate, a new public company.

The IPO of a large private company is facilitated, in effect through a merger with SPAC, enabling a private business to avoid the inherent costs and risks associated with the traditional IPO process.

Evolution of SPAC

- The first SPACs that appeared in 1990's could not qualify for listing on any U.S. exchange and were often quoted on the OTC Bulletin Board and were made to comply with the onerous rules for "blank check" offerings.
- In 2003, SPAC went public for the first time in US.
- In 2005, the American Stock Exchange (NYSE Amex) began allowing SPACs to list under generic listing standards that did not require companies to have operating histories.
- In 2008, as the financial crisis reached its peak, the IPO market for SPACs closed, the number of acquisitions completed by SPACs dropped significantly.
- In 2010 listing rules were altered to remove the requirement of majority voting to initiate a business combination. Instead the investors opposing business combination can redeem their shares. In 2010, private equity firms frequently emerged as sponsors of SPAC.
- In the next ten years SPAC started gaining momentum. In 2020, $83.36 Bn was raised through SPAC IPOs.
- In 2021, till the end of June month, record breaking 362 SPACs have been formed raising in total $ 111.12 Bn.

Summary of SPACs in US since 2003

SPACs	No. of SPAC	Amount involved in $ Mn
SPACs seeking acquisition	426	1,33,086
SPACs announced acquisition	145	43, 627
SPACs completed acquisition	335	73,952
SPACs liquidated	90	12,451
Total	996	2,63,117
SPAC IPO in pipeline	286	70,756

Source: SPACs analytics

Elements of SPAC IPO

- **Affiliate** means any person that directly or indirectly controls, is controlled by, or is under common control with, the issuer.
- **Business combination -** De-SPAC transaction that will combine the SPAC and target business into a single publicly traded company.
- **Warrant** means redeemable warrant which entitles the holder thereof to purchase one share of a common stock post business combination.
- **Sponsor** is the entity or management that funds the SPAC. It is often a new limited liability company formed solely for the purpose of sponsoring the SPAC. IPO expenses, underwriting commission, and a minimum amount of working capital will be funded by the sponsor. Typically sponsors own 20% of outstanding common stock of SPAC post-IPO.
- **Trust Account -** Account in which the IPO proceeds are placed. The funds are not permitted to be released from the trust account until the closing of a business combination or the redemption of public shares. The interest generated can be used to pay taxes until business combination.
- **Target Business-** The business to be acquired post closure of offering. Normally the business is chosen from a specific industry in which the management or the sponsor possesses expertise.
- **Units** means units of SPAC consisting of common stock (class A or class B shares) and in most case redeemable warrants.

Process of SPAC IPO

- **Founders -** A SPAC is formed by experienced business executives who are confident that their reputation and experience will help them to identify a profitable company to acquire. Since SPAC is only a shell company, the founders become the selling point when the sourcing funds are from investors. The founders provide the starting capital for the company and they stand to benefit from a sizeable stake in the acquired company. The founders often hold an interest in a specific industry when starting a special purpose acquisition company.
- **Registration -** Filing registration statement (Form S-1) with the U.S. Securities and Exchange Commission ("SEC"),

- **Clearing** SEC comments and conducting roadshow for attracting investors.
- **Identification-** of Stock Market for listing (majority of SPACs list on NASDAQ and NYSE)
- **Issuing the IPO -** When issuing IPO, the management team of the SPAC contracts an investment bank to handle the IPO. The investment bank and the management team of the company agree on a free to be charged for a service, usually about 10% of the IPO proceeds. The securities sold during an IPO are offered at a unit price, which represents one or more shares of common stock. The prospectus of the SPAC mainly focuses on the sponsors, and less on company history and revenues since the SPAC lacks performance history or revenue reports. All proceeds from the IPO are held in a trust account until a private company is identified as an acquisition target.
- **Acquiring a target company -** After the SPAC has raised the required capital through an IPO, the management team has normally 24 months to identify a target and complete the acquisition. The period may vary depending on the company and industry. The fair market value of the target company must be 80% or more of the SPAC's trust asset.
- **Negotiating -** for merger or purchase agreement to acquire a business or assets within 24 months.
- **Redemption option -** Shareholders who do not approve of the business combination are given back their full investment via a tender process.
- **Raising additional finance,** in case of substantial redemption by shareholders. For this purpose,forward purchase agreements are entered in advance with affiliates and sponsors. Debt and Equity may be raised through other modes like PIPE (Private investment in Public Equity). PIPE involves issuing shares of a public company in a private arrangement with a select investor / group of investors. PIPE investment happen only after a target is identified.
- **Consummation of business combination -** The SPAC and the target business will combine into a publicly traded operating company. It is also referred as De-SPAC transaction.
- Where the SPAC fails to achieve business combination within 24 months, it will be obliged to liquidate and redeem 100% of the shares offered subject to certain exemptions. When running the SPAC, the management team is not allowed to collect salaries until deal is completed.

Other important points in the process of SPAC IPO

- SPACs are not allowed to decide upon its target business at the time of listing in order to avoid compliance and disclosure requirements.
- The IPO proceeds will be held in a trust account and can be used only to fund the business combination or to redeem shares sold in the IPO in case SPAC is unable to complete a business combination within 24 months.
- The target business must have an aggregate fair market value of at least 80% of the assets held in the Trust Account.

Capital Structure of SPAC

i. Public units

A SPAC floats an IPO to raise the required capital to complete an acquisition of a private company. The capital is sourced from retail and institutional investors, and 100% of the money raised in the IPO is held in a trust account. In return for the capital, investors get to win units, with each unit comprising a share of common stock and a warrant to purchase more stock at a later date.

The purchase price per unit of the securities is usually $10.00. After the IPO, the units become separable into shares of common stock and warrants, which can be traded in the public market. The purpose of the warrant is to provide investors with additional compensation for investing in the SPAC.

ii. Founder Shares

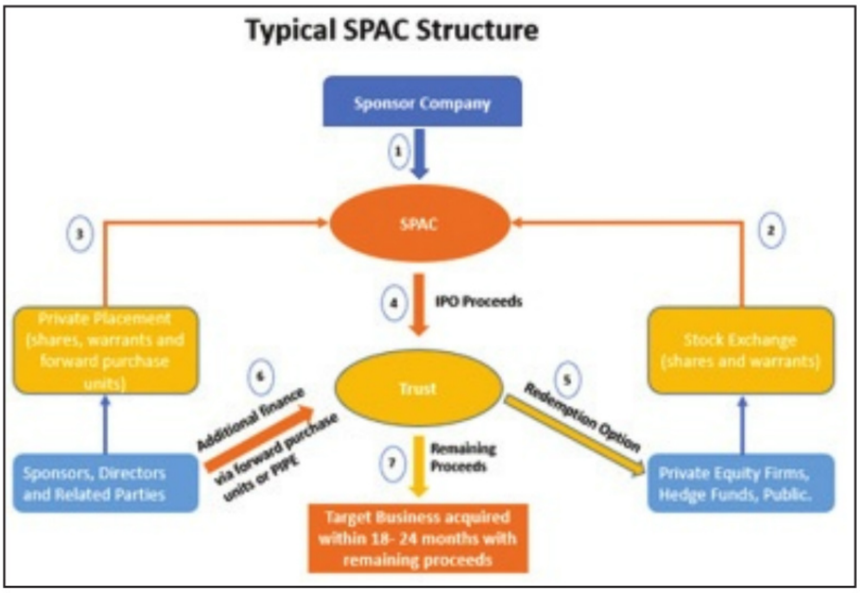
The founders of the SPAC will purchase founder shares at the onset of the SPAC registration, and pay nominal consideration for the number of shares that results in a 20% ownership stake in the outstanding shares after the completion of the IPO. The shares are intended to compensate the management team, who are not allowed to receive any salary or commission from the company until an acquisition transaction is completed.

iii. Warrants

The units sold to the public comprise a fraction of warrant, which allows the investors to purchase a whole share of common stock. Depending on the bank issuing the IPO and the size of the SPAC, one warrant may be exercisable for a fraction of share (either half, one-third or two-third) or a full share of stock.

For example, if a price per unit in the IPO is $10, the warrant may be exercisable either 30 days after the De-SPAC transaction or twelve months after the SPAC IPO. The public warrants are cash-settled, meaning that the investor must pay the full cost of the warrant in cash to receive a full share of stock.

Founder warrants, on the other hand, may be net settled, meaning that they are not required to deliver cash to receive a full share of stock. Instead, they are issued shares of stock with a fair market value equal to the difference between the stock trading price and warrant strike price.



Where India stands in SPAC race?

SPAC deals in India are still at a nascent stage, the number of SPAC related conversations in the Indian transactions space is swiftly growing. Credit Suisse estimates that India is home to at least 100 highly valued, as-yet unlisted unicorns - startups worth more than $1 billion each, with a combined market capitalization of $240 billion. During the budget speech of 2020, Finance Minister Smt. Nirmala Sitaraman promised to relax foreign investment rules.

To keep the pace with the evolving market environment, International Financial Services Centres Authority (IFSCA) in the Gujrat International Finance Tec-City (GIFT City), has recently released a consultation paper where IFSCA is exploring to facilitate listing of SPACs in the GIFT City. The proposed framework by IFSCA is expected to provide an ecosystem for capital raising and listing by Fintech and other start-up companies. The proposed framework will also facilitate issuers from across the jurisdictions to raise the capital for variety of needs.

The salient features of the IFSCAs framework for listing of SPACs is as under:

i. **Offer Size:** Not less than USD 50 million or any other amount as may be specified by the Authority from time to time. Further sponsor shall hold at least 20% of the post issue paid up capital.

ii. **Minimum application:** The minimum application size in an initial public offering of SPAC shall be USD 250,000.

iii. **Minimum subscription:** At least 75% of the offer size.

iv. **SPAC specific obligation:** Requirement have also been prescribed with respect to maintenance of escrow account, eligible investments pending utilization, acquisition timeline of 3 years extendable up to 1 year, right of dissenting shareholders, liquidation provisions, etc.

v. **Post Business acquisition:** The issuer resulting from the completion of the business acquisition by the SPAC shall be required to meet the listing eligibility criteria set out in these regulations within 180 days, in order to continue the listing on the recognized stock exchange(s).The shareholding of the sponsors in the target company shall be locked up for a period of 180 days from the date of closing of the business acquisition.

Can Indian resident individuals invest in a SPAC?

Yes, Indian resident individuals can invest in an overseas

SPAC within the prescribed annual limits (Currently, USD 250,000). As per current regime, the Indian shareholders are liable to pay the taxes on their investment after de-SPACing even without having monetized their investments. Depending on the mechanism adopted for de-SPACing, Indian investors may have to seek regulatory approvals at the de-SPACing stage besides initial approval at the time of investment.

Tax implications for Indian Investors

Tax implications on the future sale of SPAC shares/resultant company's share shall depend on various factors such as residential status of the investor and the nature / type of investor involved.

Tax implications for resident Indian individual is as under:

Particulars	Indian listed shares	SPAC shares
Long term capital gain tax rate	10%	20%
Short term capital gain tax rate	15%	Slab rates (Upto 30%)

Benefits of SPAC

- It is considerably quicker IPO process which can be completed within a period of 3 to 4 months
- SPAC acts as a tool to raise funds for the purpose of an acquisition of target company
- It is relatively easier to prepare financials and prospectus of SPAC due to no commercial operations in company
- The approval process by SEC is comparatively less cumbersome

- Option to the investor to redeem the shares purchased, if they disagree with the identified business combination.
- Relatively low cost of due diligence
- Lower underwriting commission (5.5% as against 7%-8% in case of normal IPO)
- Experienced Senior Management

Flip side of SPAC

- The success of SPAC depends on the sponsor's experience and "know-how" and so the investor is blindly depending on the sponsor to identify successful business and negotiate a good deal.
- Twenty-four-month deadline (36 months as per IFSCA framework) imposed for making a business combination, while protecting investors by forcing a return of their investment, puts management under severe time pressure.
- Unlike investors, the sponsor is not entitled to get any of this interest back if the acquiring transaction does not occur.
- The requirement that management must spend at least 80% of the SPAC's assets on a transaction could result in the SPAC's management overpaying for the target company to satisfy the condition.

Conclusion

In todays globalized business world, Global capital acts as an important driver of economic growth and development. The unprecedented rise of the SPAC market is transforming and reshaping the global capital markets. India is one of the most buoyant start-up ecosystems after Silicon Valley and there is huge potential for foreign direct investment by SPAC.A comprehensive SPAC framework in India will help to attract the global capital to meet India's development needs and provide international issuers a globally competitive financial platform.

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DOUBLING FARMERS INCOME-NEED OF THE HOUR

Agriculture and allied sector provides livelihood to 54.6% of the population of India (census 2011) and it contributes 17.80 % to the country's Gross Value Added (2019-20) as per Economic Survey 2020. India ranks among the top countries in the world in production of a number of crops including rice, wheat, sugarcane, fruits and vegetables. Farmers are, and will remain the drivers of Agricultural sector.

Since the development of Farm mechanisation in India is still below the mark due to several factors like small land holdings, equipment cost and poor credit availability, the role of farmer in agriculture holds crucial importance and it is our imperative to ensure that farmers find Agriculture as a profitable economic activity. In this backdrop, National Commission for Farmers was constituted in 2004, chaired by Prof. M. S. Swaminathan, to suggest methods for faster and more inclusive growth for farmers. Then, the Government of India in 2016 constituted an expert committee headed by Ashok Dalwai to look into the entire agriculture ecosystem in the country to suggest ways and means to reform it so that farmers' income can be doubled by 2022.

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Current Status of Farmers' Income

- According to NSSO survey, for the year 2012-13, the average annual income for a farm household from farm as well as non-farm source was Rs.77, 112.
- A study by Chand et al in 2015 reveals that it took 22 years (1993-94 and 2015-16) to double the farmers' real income.
- More than 20% of the farmers in India are Below Poverty Line.

Major Reasons behind farmer Distress in India

- **Small land holdings:** As per Economic Survey 2020, the pattern of agricultural holdings reflects pre-dominance (85 per cent) of small and marginal farmers in agriculture sector. Marginal and small land holdings face a number of issues, such as problems with using mechanization and irrigation techniques. Also, farmers cultivating smaller land holdings lands do not have formal lease agreements because of which they become ineligible for formal credit.

- **Insurance:** Only about 35 per cent of farmers are covered under the Pradhan Mantri Fasal Beema Yojana. Moreover, due to inadequate and delayed claim payment, high premium rates, and poor execution, the scheme witnesses a drop of about 17% in the enrolled farmers in 2017-18.
- **Irrigation:** As 60% of agriculture in India is rain-fed, so timely arrival, consistency, and sufficiency of monsoon rains is most essential. But the high variability of S-W Monsoon rain in India causes a lot of hardship to the farmers and puts an adverse impact on the economy. For example, due to lack rain, farmers have to rely more on irrigation, for which they need diesel. This further increases our oil imports and hence increases our current account deficit.
- **Credit:** The access to timely credit is a critical determinant of profitability of agriculture. The regional distribution of agricultural credit in India is highly skewed. For example, the share of North Eastern States has been less than one per cent in total agricultural credit disbursement. Moreover, the informal source of credit constitutes 40% of loans. The interest demanded by them is very high and they eventually end up in losing their land.
- **Lack of knowledge among Farmers regarding use of fertilizers:** An imbalanced use of fertilizers lead to a loss of fertility in the soil over a period of time, affecting productivity. While the recommended ratio of use of the NPK fertilizers is 4:2:1, this ratio in India is currently at 6.7:2.4:1

- **Procurement -** Only about 1/3rd the total production of the food grains are procured due to long distances to the procurement centres, increasing cost of transportation for farmers and irregular hours of the procurement centres. In such situations, the farmers do not have any option but to sell their produce to middlemen with very little or no profit at all.
- **Poor Mechanisation -** The use of agricultural machinery in agriculture enables agricultural labour to be used in other activities. But, the overall level of mechanisation in India is still less than 50%, as compared to 90% in developed countries.
- **Lack of Storage Facilities:** A robust storage infrastructure is required to minimise any losses due to adverse weather conditions or in the process of transportation.
- **Issues with APMC:** APMC mandis currently levy a market fee on farmers which makes it expensive for farmers to sell at APMC mandis. In transporting the produce, several intermediaries are paid a certain proportion of the price, as commissions. Thus the market price which the farmer receives for his produce is significantly lower than the price at which his produce is sold to the retailer.

Initiatives for Doubling Farmers Income

- **Improving Productivity:** Due to stagnancy in quantum of agricultural land, it is imperative to increase productivity over the same amount of land.
- **Pradhan Mantri Krishi Sinchai Yojana (PMKSY)** provides for more crop, per drop.
- **Soil Heath Card** scheme aims at promoting soil test based and balanced use of fertilizers to enable farmers to realise higher yields at lower cost.
- **Improving Total Factor Productivity:** TFP is an important source of output growth which directly contributes into the cost saving and thus increase the income. TFP growth represents the effect of technological change, skill, infrastructure etc.
- **National Agriculture Market (e-NAM)** aims to form a unified national market for agricultural products by making a network for the markets related to the

existing Agricultural Product Marketing Committee (APMC).

- **Direct Benefit Transfer:** The NITI Aayog has suggested that all subsidies for agriculture, including fertiliser, electricity, crop insurance, irrigation and interest subvention be replaced by income transfer because it eliminates the leakages of resources in the system.
- **Diversification of Crops:** When farmers go for single crop type they are exposed to high risks in the event of unforeseen climate events, such as emergence of pests and the sudden onset of frost or drought.
- **Crop Diversification Programme (CDP)** being implemented which aims to diversify area from water guzzling crop like paddy to alternate crops like maize, pulses, oilseeds, cotton & agro-forestry plantation.
- **Financial Assistance:** There are several initiatives taken up by the government like:
  The Union Budget 2019-20 has made the highest ever allocation to Ministry of Agriculture and Farmers' Welfare: Rs 1, 30,485 crore, a 140 per cent jump over the '18-19 budget estimate of Rs 57,600 crore.
  - **Pradhan Mantri Fasal Bima Yojna** has been launched to provide relief to the farmers inflicted with the loss of crop damage.
  - **Kisan Credit Card Scheme** aims to provide direct benefit to farmers and ease the pressure on them.
  - **Micro Irrigation Fund** created with NABARD has been approved for encouraging public and private investments.
  - **Implementation of Swaminathan Report** - Recently, the Government has increased the MSP for all Kharif and Rabi crops and other commercial crops for the season 2018-19 with a return of at least 50 percent over cost of production.
  - The Government has decided to implement a new **Central Sector Scheme** for providing old age pension of Rs.3000/- to the eligible small and marginal farmers as they have minimal or no savings.
  - The Government has been promoting organic farming in the country through the schemes such as Paramparagat Krishi Vikas Yojana (PKVY) and Rashtriya Krishi Vikas Yojana (RKVY).
  - Coffee Board has launched **block-chain based coffee e-marketplace**. It will help to integrate the farmers with markets in a transparent manner.
  - NITI Aayog launched in 2016 an index to rank States and UTs based on implementation of seven provisions proposed under model APMC Act.
  - The **Mega Food Parks scheme** aims to create a mechanism of linking agricultural production to the markets, by involving farmers, processors and retailers together in a cluster-based approach

Recommendations for Doubling Farmers Income

- NITI Aayog's Model Land Leasing Act must be adopted by all the states and UTs in a time bound manner. It will bring the futile land into much needed use for operational efficiency.
- Apart from food and nutrition security, Agriculture should also be mandated to generate resources as raw materials to feed and support industrial enterprises. Such incorporation will provide greater elasticity to the markets now circumscribed by consumption as food and fodder.
- Public investment in agriculture must be raised to 4% of the GDP, which is currently only 2.76%
- Modern machinery such as laser land leveller, direct seeded rice, zero tillage, raised bed plantation and ridge plantation allow high efficient farming
- The insurance sector should design a simple natural catastrophe product with affordable premium and simple claim payment methodology
- Micro-irrigation systems (MI) is one of the possible ways to improve water use efficiency, it can be seen that the

States with penetration of MI systems and improved adoption of micro irrigation systems have almost 40 to 50 per cent savings in energy and fertiliser consumption

- There is need to promote use of environment friendly automated farm machinery tools suited to small scale operations. The Custom Hiring Centres (CHCs) can be set up to promote use of high-tech machinery for the mechanization of small and marginal farm holding.
- The improvement in fertilizer use efficiency requires farmers' knowledge regarding the right product, dosage, time and method of application. Some of the suggested measures are the use of optimal dose based.
- A combination of enhancing rural infrastructure to improve connectivity, Information, Communication Technology (ICT) to provide timely information about prices, aggregation and storage facilities can help small and marginal farmers in overcoming the marketing bottlenecks.

Conclusion

The low level of farmer's income and year to year fluctuations in it are a major source of agrarian distress. This distress is spreading and getting severe over time impacting almost half of the population of the country that is dependent on farming for livelihood. Persistent low level of farmer's income can also cause serious adverse effect on the future of agriculture in the country. To secure future of agriculture and to improve livelihood of half of India's population, adequate attention needs to be given to improve the welfare of farmers and raise agricultural income.

Achieving this goal will reduce persistent disparity between farm and non-farm income, alleviate agrarian distress, promote inclusive growth and infuse dynamism in the agriculture sector. Respectable income in farm sector will also attract youth towards farming profession and ease the pressure on non-farm jobs. Doubling farmer's income is quite challenging but it is needed and is attainable. Three pronged strategy focused on (i) development initiatives, (ii) technology and (iii) policy reforms in agriculture credit is needed to double farmers' income.

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FORM IV (SEE RULE 8)

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BANKING DURING COVID AND BEYOND

Precently humanity is going through a major challenge, a challenge to survive. No one can predict the future so everyone is trying to hold himself in a confined environment looking for the new sunshine to begin wherein everything will be normal and we all can breathe freely in the unmasked environment and live a happy and healthy life.

No one could have predicted that situation during wave II would be so bad that so many people would lose their lives without getting proper medical care and attention. There is huge shortage of life saving medicines, oxygen cylinders, ICU and ventilators. News are coming that people are dying outside the hospitals in the ambulances as there is no bed available in the hospitals.

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Medical and para medical personnel are under huge pressure as they are on duty to serve the large number of infected patients.

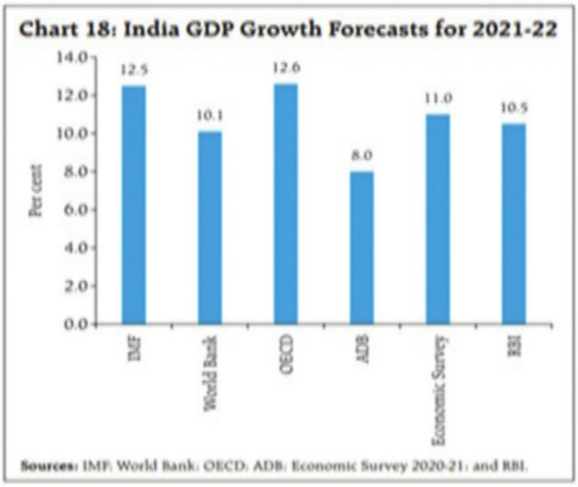
Govt. is trying its best to cope up with the situation but as the number is increasing day by day, things are looking out of control and only almighty can save this world.

In this critical situation if we talk about banking industry in India, it is really under pressure and as the O2 level of Covid infected people is coming down banks should also be warry of its saturation level.

State of Indian Economy and Banking-A Data Story: To understand the impact of Covid pandemic on the Banking it is important to analyze some of the key data related to Economy and Banking in India.

A. **GDP Growth Forecast:** GDP growth projection by some of the international agencies are as below:

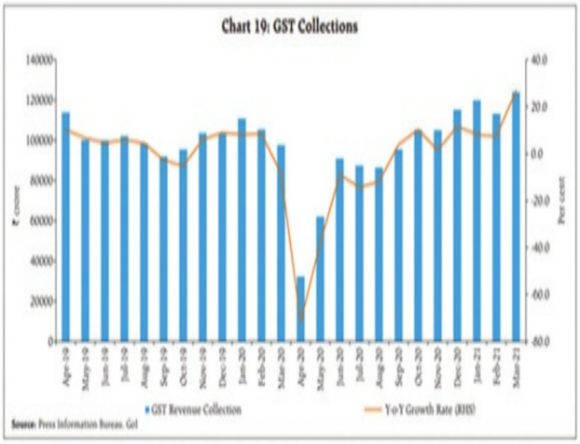
Even after the outbreak of Covid 19 wave 2, different rating agencies has revised the FY22 GDP forecast like Moody



revises to 9.% , crisil to 8.2%, Fitch 9.5% S & P 9.8% which shows that still the GDP growth will be around 9%.

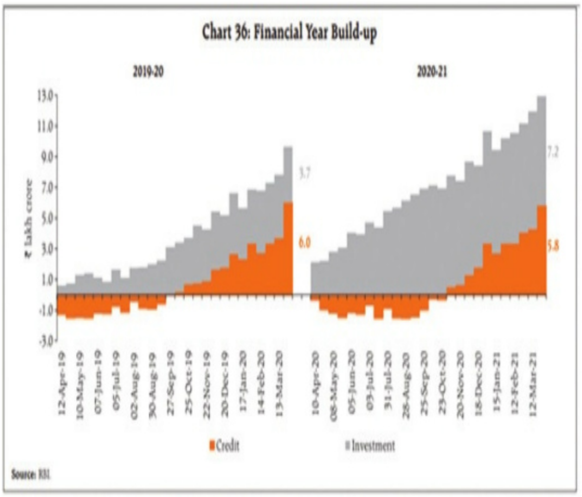
The above projection shows that there is nothing more to worry regarding overall economic activity in India.

B. GST Collection: GST revenue collection in April 2021 hit a record high of Rs. 1.41 lakh crore. April GST Receipts was high because of high March Sales. From the graph we can see dip in GST collection (April 2020) is a temporary phenomenon only. Even there is expectation of another dip in GST collection but it will bounce back in the coming months.



C. Hiring Activity/Unemployment rate: Hiring Activity falls by 15% in April 2021 due to covid second wave as per Naukri job report. 34 lakh salaried Indians lost their jobs in April 2021, Unemployment rate touches 8% which is cause of concern for bankers as repayment of retail loans will be under pressure.

D. Credit-Investment: The below chart shows (source RBI) that during 2020-21, banks invested Rs. 7.2 lakh crore in government securities, nearly double of their investment in the previous year. Banks' investment in 2020-21 outpaced overall credit extended - a phenomenon not seen in nearly twenty years, barring the year of demonetization. Looking at the data we can interpretate that the Banks in India are moving towards Narrow Banking and there will be negative impact on their profitability.



RBI MEASURES TO TACKLE SECOND COVID WAVE: In light of resurgence of Covid-19 pandemic in India, Reserve Bank of India (RBI), vide notifications dated May 5, 2021, has announced certain measures - Resolution Framework 2 and Resolution for MSMEs - to alleviate uncertainties and stress on individual borrowers and small businesses and Micro, Small and Medium Enterprises (MSMEs), many of whom are finding it difficult to repay loans on time. These measures are going to help the hard-pressed corporate, msme and individual.

1. Term liquidity of Rs 50,000 crore for emergency healthcare services

To ease access to emergency health services, "On-tap liquidity" of Rs 50,000 crore with tenor up to three years at repo rate. These loans will be continued to classified under the 'priority sector' till repayment or maturity, whichever is earlier.

2. Special long-term repo operations (SLTRO) for small finance banks (SFBs):

It has been decided to conduct special 3-year long-term repo operations (3-year SLTRO) of Rs 10,000 crore at repo rate for SFBs. The facility was to help them with fresh lending of up to Rs 10 lakh per borrowers and it was available till October 31, 2021.

3. Priority lending by SFBs to MFIs

SFBs are now being permitted to lend to smaller MFIs with asset size of up to Rs 500 crore which will be classified as priority sector lending and this is likely to help individual borrowers.

4. Credit to 'unbanked' MSME entrepreneurs

RBI allowed Scheduled Commercial Banks (SCBs) to deduct credit disbursed to new MSME borrowers from their net demand and time liabilities (NDTL) for calculation of cash reserve ratio (CRR). This exemption currently available for exposures up to Rs 25 lakh and for credit disbursed uptil December 31, 2021.

5. Resolution 2.0 for individuals, small businesses

The RBI has allowed borrowers (individuals, small businesses and MSMEs) with aggregate exposure of up to Rs 25 crore -- who have not availed restructuring under earlier frameworks and classified as 'Standard' on March 31, 2021 -- shall be eligible to be considered under Resolution 2.0 framework.

6. Rationalisation of KYC compliance requirements

The RBI has also rationalised certain compliance requirements in view of the Covid-19 second wave. These include:

a) The scope of video KYC known as V-CIP (video-based customer identification process) for new categories of customers such as proprietorship firms, authorised signatories and beneficial owners of Legal Entities and for periodic updation of KYC

b) Conversion of limited KYC accounts opened on the basis of Aadhaar e-KYC authentication in non-face-to-face mode to fully KYC compliant accounts

c) Enabling the use of KYC Identifier of Centralised KYC Registry (CKYCR) for V-CIP and submission of electronic documents (including identity documents issued through DigiLocker) as identify proof

d) Introduction of more customer-friendly options, including the use of digital channels for the purpose of periodic updation of KYC details of customers.

Digital Banking in the times of a Covid-19 epidemic

With the advent of Video KYC and rationalization of KYC compliance requirement by RBI (as mentioned above) it is apparent that our regulator wants that all banks in India should go digital and provide maximum services to their customer through digital mode. So many banks have already started giving maximum services on digital mode through mobile banking like:

- Online Opening of accounts through mobile banking as Video KYC is permitted.
- Online sanctioning of loan through Straight Through Process (STP) and thereafter direct credit to their accounts as Digital Documentation can be done.
- Enhanced Customer Service through live chat bots and virtual interaction by the Branch people.
- Virtual Banking through Whats App.
- Marketing of products through automated platform and using Big Data for upselling and cross-selling services.

In these unsettling times, banks will have to take drastic measures to contend with an unprecedented number of challenges in the months ahead. To reduce cost and increase customer base, digitization will play a crucial role to fill in the blanks. How individual bank is responding to this change will determine their survival as post covid banking will be different. ❑

REGIONAL BANKS' SECRET WEAPON FOR DIGITAL SUCCESS

Regional rural banks and credit unions often set themselves apart by offering personalised, community-oriented experiences their enterprise competitors can't. As financial services shift to a virtual-first dynamic, maintaining those connections is the key to winning and keeping customers.

According to IBEF's Indian Banking Industry Analysis report, India is emerging as an economic giant, with its fintech market projected to grow to Rs. 6.2 trillion by 2025. This is a testimony to the enormous growth, increasing popularity, and the myriad of benefits offered by digital banking. While online banking in India isn't new, financial service providers are navigating a massively changed landscape today. Younger, more technologically savvy users are more likely to rely on mobile banking solutions than their older counterparts, and digital solutions aren't just a helpful alternative anymore. They're often the primary-and sometimes only-way users want to manage their finances.

About the author

Ved Antani

Vice President,
Engineering & MD
Twilio India

This presents a challenge for regional banks who have historically relied on traditional, in-person experiences: the lion's share of users are becoming more and more likely to gravitate toward larger institutions with an existing suite of advanced digital features.

But that outcome isn't inevitable; leaders at regional institutions have a deep understanding of what customers need from their financial partners and know how to build lasting, trusted relationships.

Bringing that experience to a digital strategy sets your business apart from the competition, helping you win and keep customers who want the best in convenient, personalised, and trusted financial services.

Personalised solutions are key to standing out

The most valued features of mobile banking apps are simple tools like depositing checks and transferring funds. That's because the core desire for mobile users is a more convenient way to handle the same tasks they would at a local branch-just with no driving, no parking, and no waiting in line.

But a website and mobile app with core banking tools are now the bare minimum. To compete with industry giants, regional banks and credit unions need to shape their virtual offerings around more complex customer needs.

One-on-one assistance

A major part of what's lost in a digital environment is the face-to-face, one-on-one interactions that help customers know and trust their financial institutions. But we're in a new era-one where checking in with your doctor or attending a party virtually is starting to seem like an everyday norm, not a novelty.

A custom video conferencing solution built to meet your businesses' needs can supplement and enhance in-person interactions. Not only does video give more customers the opportunity to build relationships and trust without having to step foot in a branch, it also gives your staff the flexibility to serve customers from home when needed.

Intuitive engagement

One of the best things about working with a regional bank or credit union is knowing that they will never be far when you need them. Whether you need to make a quick deposit or ask a question about your finances, the staff at your local branch are always ready to greet you with a smile.

With the right tools, you can bring that same convenience and ease to your customers' digital experience. Automated engagement tools like IVR and chatbots make essential information accessible to your customers anytime, anywhere-letting you provide personalised engagement experiences at scale without increasing the workload of employees.

Helping customers embrace digital

In the wake of the pandemic, more and more industries have had to reckon with the digital divide-from the necessity of bringing seniors and underserved groups into the fold to refocusing on the importance of building meaningful, human connections.

How does that look in financial services? Many regional banks and credit unions do more than facilitate transactions-they build lasting relationships with customers as a trusted source of financial information and guidance. There are many ways for these financial institutions to do so. For example, in addition to providing customer centric services, regional rural banks promote and raise awareness about the Government's many financial inclusion programs along with the added safety and benefits of carrying out transactions online. Additionally, leveraging that trust can help you migrate traditional customers into a digital ecosystem.

Trust and security

One of the main factors keeping customers invested in the traditional banking experience is fear that digital services are less secure. Though cybersecurity threats are a genuine concern, you can help overcome those fears by putting the right account security measures in place.

One of the simplest and most effective security features you can offer is two-factor authentication. By requiring a user to confirm their identity with a verified device or phone number, two-and-multi-factor authentication systems provide greater assurance that account information is secure.

Access and education

Not every customer who enters their local bank may be digitally literate, have a mobile device, or be able to access the internet at home-but each of those can be key to successfully understanding and managing your finances today.

The best way to overcome this is by using the tools you already have in place. A physical branch where customers feel comfortable and welcome can serve as a starting point for digital connection: employees can offer one-to-one instruction on navigating your mobile app, introduce users to your digital engagement channels, and more.

This humanises your digital services and empowers users to take charge of their finances-especially when they know any of their questions or concerns can be answered with self-serve communication tools or easy-to-use messaging services even when they can't make it to see your staff in person. ❑

ISLAMIC BANKING & FINANCE SUMMIT 2022

The global Islamic finance industry has expanded 10% to 12% in 2021-2022. The expansion of Islamic banking and Islamic financial assets in the Middle East region along with Malaysia and Turkey has been robust. The Islamic finance industry is positioning itself towards a more sustainable growth, on the premise of progress based on a unified legal and regulatory framework supported by higher digitization and FinTech collaboration.

The MENA Islamic Banking & Finance Summit, a strategic conference will engage in ushering the age of Islamic financial inclusion. The summit is organised by Nispana Global, headquartered in Dubai, and this exclusive event will bring together key stakeholders, decision makers, thought leaders and luminaries who are invested in driving Islamic finance and banking growth in the region. Some of the prestigious thought leaders and speakers presenting at the summit are; Ayman Sejiny, CEO, Islamic Corporation for the Development of the Private Sector (ICD); Ibrahim Al Mheiri, CEO & Head of Islamic Banking, Mashreq Al Islami Islamic Finance Company; Farah Jaafar, Managing Director & Chief Communications Officer Fusang; Ali Allawala, Head Islamic Banking - UAE, & Group Islamic Head of Consumer, Private, and Business Banking, Standard Chartered Bank; Matthew Gamser, CEO, SME Finance Forum, Managed by the IFC (International Finance Corporation); Fazal Rahim Abdul Rahim, Senior Vice President - Head of Sharia Control & Issc Secretary Ajman Bank; Chetan Parekh, Partner, Cedar Management Consulting International LLC; Wissam Fattouh, Secretary General, The Union of Arab Banks; Syed Moosa Kaleem Al-Falahi, CEO, Islamic Bank of Afghanistan; Steven WONGWengLeong, Chief Digital & Global Banking Strategist, China Construction Bank.

The Summit is delivered in a hybrid format and will open up deliberations ranging from Islamic capital markets outlook, impact of digitization and FinTech inclusion in the sector, new avenues of growth for sukuk, takaful, private banking etc. and improving the industry's resilience and growth opportunities. The summit will further showcase the influence of women in Islamic finance.

The Summit will represent an important platform to promote discussion across the region and Islamic finance stakeholders. The event is designed to encourage positive dialog to promote and strengthen the current Islamic Banking and Finance principles and the amalgamation of technology for a futuristic growth of the industry.

Join us at the premier MENA Islamic Banking and Finance Summit on March 15 and 16, 2022 being held at The Marriott Hotel, Al Jaddaf, Dubai. Across, 2 days of the summit multiple sessions will showcase Islamic banking benchmarks, digital integration to improve Islamic banking and finance penetration and propagation of sustainable Islamic banking growth. The strategic event is sponsored and supported by Islamic Corporation for the Development of the Private Sector (ICD); Cedar Management Consulting International LLC; Labuan IBFC ; Nintex ; LOTUS Bank; Ovamba Solutions, Inc.; United Security Printing USP; Standard Chartered Bank (Saadiq Islamic); Bank Nizwa; Fusang. ❑

MONEY FOR 100% CENTRAL SCHEMES LIKELY TO GO DIRECTLY TO BENEFICIARIES FROM APRIL

The Centre plans to directly transfer 100% centrally funded schemes of Rs 500 crore or more, such as Bharatnet, Namami Gange-National Ganga Plan, metro projects, LPG connection to poor households, crop insurance, labour welfare schemes etc., from April 1, dropping state mediaries to ensure better compliance.

At present, funds for schemes are drawn by the concerned ministry from the RBI and transferred to the state treasury. It then moves to the state commissioner in charge and to state implementation agencies, which transfer funds to the field level at district or sub-division level. From here, the money is finally disbursed to intended beneficiaries or vendors.

The new setup meant to reduce intermediaries and levels and cut administrative bottlenecks is expected to see disbursal of funds directly from the Consolidated Fund of India to the beneficiary/implementing agency so that implementation of schemes would be in sync with fund flow. Various studies have indicated that funds are held up or parked too often at various levels. In other cases, they never make it past the state treasury. As a result, CSS work implementation is often heavily delayed after money has been released by the Centre. The new guidelines are aimed at cutting down disbursement time and ensuring fund access 'just in time'.

The finance ministry is learnt to have alerted all central ministries and departments and sought their opinion on the new format expected to come into effect from April 1. A similar tightening of process was introduced last year for schemes jointly funded by Centre and states.

New guidelines for all central sector schemes with an annual outlay of over Rs 500 crore will be implemented through the Treasury Single Account (TSA) model so that funds for schemes are released in time from the Consolidated Fund of India to beneficiaries and vendors.

Each ministry will designate an autonomous body as the Central Nodal Agency (CNA) for the purpose. It will open an account with RBI, which will be mapped on to the TSA and public financial management system models. The RBI will become the primary blanket to ministries without involvement of any agency bank. These will become 'assignment accounts' to directly disburse funds after necessary checks.

In case of schemes with an outlay of less than Rs 500 crore, state government agencies may be engaged in implementation. However, the concerned central ministry will again designate a central nodal agency for implementation, which will open a central nodal account in a scheduled commercial bank.

Implementing agencies down the ladder will be designated as sub agencies which will use the CNA account with clearly defined drawing limits. Ministries will release funds to the CNA account strictly based on requirement and keeping in mind balance funds available as per PFMS.

The fund release will be 'just in time' as far as possible - not more than 25% of the annual amount earmarked for the scheme will be released at a time and additional funds will be released only upon utilisation of at least 75% of the funds released earlier. All unspent money is to be returned to the CNA account. *(Source: The Economic Times)*

IBC'S 2021 JOURNEY

Thought passed by the Parliament in May 2016, the Insolvency and Bankruptcy Act (IBC), picked up momentum only when RBI recommended 12 significant cases for IBC.

The first case of the substantial takeover was Bhushan Steel, wherein Tata Steel bought it in the resolution process for Rs. 32,500 crore with a 60 per cent haircut by lenders. Over time, the government tried to proactively make changes to the code to uphold the spirit of the code. One such amendment was the introduction of Section 29A to stop defaulters/defaulting promoters from bidding for companies undergoing the resolution process. Another was giving home buyers the status of a creditor. If implemented, the code, as intended, will be a major milestone for the Indian landscape.

However, it has its fair share of shortcomings as of date. The key highlights, both positive and negative, are shown below:

Hits

The code has succeeded in deterring the defaulting corporates and thereby enforcing financial discipline; defaulting companies are taking steps to avoid the IBC and losing control. The IBC regime indicates a significant improvement in recovery for financial creditors. It has an average recovery rate of 40-45 per cent in notable cases. The earlier recovery rates were much below at about 25-30 per cent. The process has taken more than 180 days, and with 90 days extension, 270 days as stipulated in the code. Part of the delay in resolution can be attributed to the absence of buyers and the differences between members of the committee of creditors. The joint lenders or the consortium are often overburdened by the NCLT and NCLAT and the challenges posed by promoters who are unwilling to lose control of their companies. In addition, the Covid-19 global pandemic for more than the last year-and-a-half has also contributed to a substantial delay in the process of resolution, besides adding to more stressed assets. Still, the time taken is far better than the average 4 to 4.5 years earlier. The future will be better as the current cases include the hold (BIFR) cases. The goal of IBC is an early resolution with maximisation of value as envisaged in the code, besides revival of sick units. Though it is struggling to achieve the same, it has not entirely failed.

Misses

When the bankruptcy code was brought in, there was much hope that it would revive companies, recover public money and protect jobs. It has undoubtedly given an effective tool to recover loans but has not lived up to the expectations of a time-bound recovery, except for particular big-ticket hits. The view is also gaining ground that valuable companies are being bought over at low prices, leading to haircuts for banks in some cases, even over 90 per cent. Also, there are cases where defaulting owners get back their companies cheap. Lack of expertise among resolution professionals to perform the complex task of reviving a company that has gone sick or substantially sick. RPs often do not have the expertise to run companies as a going concern. The bankruptcy code was something in need of the hours, and after years of discussion, it came into existence. Five years on, it is still in progress and needs considerable changes, both in the code and its implementation and, above all, the mindset of the creditors, particularly financial creditors. *(Source: Business Line)*

WHAT THE SC ORDER ON RERA MEANS FOR HOMEBUYERS

The Supreme Court in its judgment last week suggested some changes in the Real Estate Regulatory Authority Act (RERA) to protect the interests of homebuyers. The ruling may force changes in state rules modelled on this Act.

What are the broad contours of the ruling?

The apex court held that RERA is retroactive in its application and covers all projects for which completion certificates were not issued at the time of the Act's implementation. The ruling has reaffirmed the jurisdiction of RERA on all projects that were ongoing when the law was getting enacted. Many states which diluted RERA provisions may now have to amend the regulations to ensure that all ongoing projects get covered under the Act. State authorities will now have to include and perhaps take action against such projects that have enjoyed exemption from RERA so far.

What else did the court say?

The Supreme Court made it mandatory for developers to deposit at least 30% of the penalty ordered by the regulator before they challenge any RERA order and file an appeal under Section 43(5). In many cases, builders would often challenge a RERA order before a high court, and the resultant long-winded legal procedure would leave homebuyers waiting for a resolution. The ruling could prove to be a deterrent for such builders, who will now have to deposit the full compensation and interest as a pre-condition. Going forward, this may ensure that only genuine appeals by developers are filed.

Are refunds to the allottee an issue?

The top court ruled that RERA has exclusive jurisdiction to direct refund of the amount, and interest on the refund, or direct payment of interest for delayed delivery of possession, or penalty and interest, to the allottee. But the adjudication for determining compensation and interest lies with the adjudicating authority to expedite the process.

What does it mean for homebuyers?

Homebuyers under the Forum for People's Collective Efforts (FPCE) and other organizations have long been highlighting the dilutions of RERA regulations in various states, after the RERA Act was notified on 1 May 2016. The ruling will bring relief on various fronts for buyers, including creating a uniform regulatory framework for all projects, and creating better grievance redressal. In cases where RERA has imposed a penalty, buyers will get a faster resolution as builders will have to pay a pre-deposit before challenging an order.

What does it mean for developers?

The ruling affirmed the interests of homebuyers, to protect their rights, and tells developers to conform to the RERA provisions. Making RERA retroactive means developers will have to apply to the authority for the registration of their projects, that were ongoing during the commencement of the Act and for which the completion certificate was not issued. Builders in general, who in recent years have appealed against RERA orders will have to take a hard look at cases where they really want to challenge the order. *(Source: Mint)*

RBI CIRCULAR

Transactions in Credit Default Swap (CDS) by Foreign Portfolio Investors – Operational Instructions

RBI/2021-22/155

February 10, 2022

1. Attention of Authorised Persons is invited to the Foreign Exchange Management (Debt Instruments) Regulations, 2019 [Notification No. FEMA. 396/2019-RB dated October 17, 2019], as amended from time to time. A reference is also invited to A.P. (DIR Series) Circular No.31 dated June 15, 2018, A.P. (DIR Series) Circular No. 05 dated May 31, 2021 and Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022 dated February 10, 2022, as amended from time to time (hereinafter, Credit Derivatives Directions).
2. Foreign Portfolio Investors (FPIs) are eligible to be categorised as non-retail users and have been allowed to buy and sell CDS protection under the Credit Derivatives Directions. Necessary Directions to Authorised Persons that are eligible to deal with FPIs for transacting in Credit Derivatives in terms of the Credit Derivatives Directions are being issued hereunder.
3. Selling of CDS protection by all FPIs shall be subject to a limit specified by the Reserve Bank from time to time (hereinafter, aggregate limit). The aggregate limit of the notional amount of CDS sold by FPIs shall be 5% of the outstanding stock of corporate bonds. Clearing Corporation of India Ltd. (CCIL) shall disseminate the utilisation of aggregate limit based on the reporting by the market makers for transactions in OTC market and reporting by stock exchanges for transactions on exchanges. FPIs shall not sell any CDS protection once aggregate limit is utilised. The limit utilised for CDS protection sold by the FPI shall be released upon the exit of the CDS position by the FPIs.
4. Debt instruments received by FPIs as deliverable obligation and debt instruments purchased by FPIs for meeting deliverable obligation in physical settlement of CDS contracts shall be reckoned under the investment limits for corporate bonds as specified in A.P. (DIR Series) Circular No. 05 dated May 31, 2021, as amended from time to time. In case of non-availability of investment limit at the time of physical settlement, such debt instruments shall be adjusted against the revised limits in the subsequent review of investment limits.
5. The notional amount of protection sold by FPIs, and the debt instruments received as deliverable obligation as well as debt instruments purchased for meeting deliverable obligation by FPIs in physical settlement of CDS contracts shall not be subject to minimum residual maturity requirement / short-term limit, concentration limit or single/group investor-wise limits applicable to FPI investment in corporate bonds as specified in paragraphs 4(b), (e) and (f) respectively of A.P. (DIR Series) Circular No. 31 dated June 15, 2018.
6. These Directions shall come into effect from May 09, 2022
7. Authorised Persons may bring the contents of this circular to the notice of their constituents and customers concerned.
8. The Directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approval, if any, required under any other law.

(Dimple Bhandia)
Chief General Manager

Rupee Interest Rate Derivatives (Reserve Bank) Directions - Review

RBI/2021-22/157

February 10, 2022

1. Please refer to Paragraph 5 of the Statement on Developmental and Regulatory Policies, issued as a part of the sixth Bi-monthly Monetary Policy Statement for 2021-22 dated February 10, 2022 regarding permitting banks in India to deal in foreign currency settled Overnight Indexed Swaps (OIS). Attention is also invited to the Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019 dated June 26, 2019 (hereinafter, Directions).
2. Banks in India having Authorised Dealer Category-I (AD Cat-I) license under FEMA, 1999, shall be eligible to offer Foreign Currency Settled OIS (FCS-OIS) based on the Overnight Mumbai Interbank Outright Rate (MIBOR) benchmark published by Financial Benchmarks India Pvt. Ltd. (FBIL) to persons not resident in India as well as to other AD Cat-I banks. Banks can undertake these transactions through their branches in India, through their International Financial Services Centre (IFSC) Banking Units (IBUs) or through their foreign branches (in case of foreign banks operating in India, through any branch of the parent bank). Banks may undertake FCS-OIS transactions beyond onshore market hours.
3. The instructions shall be applicable with immediate effect. The updated Directions are attached.
4. The instructions contained in this circular have been issued in exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 read with section 45U of the Act and of all the powers enabling it in this behalf. A reference is also invited to the Foreign Exchange Management (Permissible Capital Account Transactions) Regulations, 2000 (Notification No. FEMA 1/2000-RB dated May 03, 2000) and Foreign Exchange Management (Debt Instruments) Regulations, 2019 (Notification No. FEMA 396/2019-RB dated October 17, 2019), as amended from time to time.

(Dimple Bhandia)
Chief General Manager

Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Clarifications

RBI/2021-2022/158

February 15, 2022

1. Please refer to the clarifications issued in respect of Prudential norms on Income Recognition, Asset Classification and Provisioning vide circular DOR.STR.REC.68/21.04.048/2021-22 dated November 12, 2021 ('Circular').
2. In view of several queries received seeking certain clarifications, it is advised as under:
   i. The definition of 'out of order', as clarified in the Circular, shall be applicable to all loan products being offered as an overdraft facility, including those not meant for business purposes and/or which entail interest repayments as the only credits.
   ii. The 'previous 90 days period' for determination of 'out of order' status of a CC/OD account shall be inclusive of the day for which the day-end process is being run.
   iii. In case of borrowers having more than one credit facility from a lending institution, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.
   iv. The circular does not make any changes to the requirements related to reporting of information to CRILC, which will continue to be governed in terms of extant instructions for respective entities1.
   v. The circular does not, in any way, interfere with the extant guidelines on implementation of Ind-AS by NBFCs.
3. Paragraph 10 of the Circular stipulates that loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. NBFCs shall have time till September 30, 2022 to put in place the necessary systems to implement this provision. All other instructions of the Circular shall continue to be applicable as per the timelines specified therein.

(Manoranjan Mishra)
Chief General Manager

INDUSTRY - WISE DEPLOYMENT OF BANK CREDIT

(₹ Crore)

Sr. No.	Industry	Outstanding as on						
		Jun 21, 2019	Jul 19, 2019	Aug 30, 2019	Sep 27, 2019	Oct 25, 2019	Nov 22, 2019	Dec 20, 2019
2.1	Mining & Quarrying (incl. Coal)	41129	40563	40938	41380	41176	41372	42741
2.2	Food Processing	151625	150077	145210	142388	139693	136930	145578
2.2.1	Sugar	29572	28582	27889	27424	25914	24624	24541
2.2.2	Edible Oils & Vanaspati	20100	19475	18929	17923	17681	17430	20071
2.2.3	Tea	5110	5200	5356	5558	5497	5832	5458
2.2.4	Others	96843	96820	93036	91483	90601	89044	95508
2.3	Beverage & Tobacco	14376	14440	13857	14973	14717	14030	15034
2.4	Textiles	193595	191284	186307	186773	187677	186323	189152
2.4.1	Cotton Textiles	91947	90087	84473	84020	83999	83448	85688
2.4.2	Jute Textiles	2122	2110	2117	2168	2209	2181	2215
2.4.3	Man-Made Textiles	25984	25452	25423	25295	25763	25820	26170
2.4.4	Other Textiles	73542	73635	74294	75290	75706	74874	75079
2.5	Leather & Leather Products	11150	11211	11051	11044	11052	10813	10949
2.6	Wood & Wood Products	11691	11701	11881	12082	11992	11968	12067
2.7	Paper & Paper Products	30142	29760	29864	29973	30507	30230	30697
2.8	Petroleum, Coal Products & Nuclear Fuels	55775	53085	51976	53576	52477	52466	53536
2.9	Chemicals & Chemical Products	174540	173212	177006	180523	176120	173231	177427
2.9.1	Fertiliser	33118	34419	35572	36835	34080	34112	34375
2.9.2	Drugs & Pharmaceuticals	49021	48195	48566	49177	48873	48501	49839
2.9.3	Petro Chemicals	39493	37900	39987	39110	39743	37445	39154
2.9.4	Others	52908	52698	52881	55401	53424	53173	54059
2.10	Rubber, Plastic & their Products	45828	45843	46501	47007	46919	47029	49164
2.11	Glass & Glassware	9832	9652	9942	9387	8687	8686	8784
2.12	Cement & Cement Products	56126	57539	59223	60809	60587	59309	58502
2.13	Basic Metal & Metal Product	352015	347995	348467	354021	351144	347906	337587
2.13.1	Iron & Steel	266162	265912	266309	269955	268259	265599	254848
2.13.2	Other Metal & Metal Product	85853	82083	82158	84066	82885	82307	82739
2.14	All Engineering	164574	165038	166488	163374	166861	162680	158648
2.14.1	Electronics	37942	37367	37284	35168	35706	32895	33145
2.14.2	Others	126632	127671	129204	128206	131155	129785	125503
2.15	Vehicles, Vehicle Parts & Transport Equipment	81419	82728	83022	83038	82552	81472	82840
2.16	Gems & Jewellery	66218	66066	66361	65637	62792	61310	60452
2.17	Construction	97160	95384	95990	100074	99394	100091	102579
2.18	Infrastructure	1026481	1034716	1004811	1003786	1019784	1025154	1029417
2.18.1	Power	563743	568247	558892	557170	559953	562711	562025
2.18.2	Telecommunications	106831	112215	109761	115017	127493	130960	134310
2.18.3	Roads	186128	188386	190895	185293	185424	186529	186870
2.18.4	Other Infrastructure	169779	165868	145263	146306	146914	144954	146212
2.19	Other Industries	228356	218066	216319	215038	222620	221247	229218
	Industries	2812032	2798360	2765215	2774883	2786751	2772248	2794372

(Continued

INDUSTRY - WISE DEPLOYMENT OF BANK CREDIT (Concld.)

(₹ Crore)

Sr. No.	Sector	Outstanding as on					
		Jan 31, 2020	Feb 28, 2020	Mar 27, 2020	Apr 24, 2020	May 22, 2020	Jun 19, 2020
2.1	Mining & Quarrying (incl. Coal)	41886	41600	43927	43508	42094	42890
2.2	Food Processing	150279	149851	154146	152326	149382	157937
2.2.1	Sugar	26288	26623	27382	27362	26556	25491
2.2.2	Edible Oils & Vanaspati	20745	19461	19240	18044	17980	17589
2.2.3	Tea	5438	5290	5375	5193	4406	5108
2.2.4	Others	97808	98476	102149	101727	100440	109749
2.3	Beverage & Tobacco	14991	15063	16522	16458	16111	15025
2.4	Textiles	190108	188067	192424	190040	189249	189236
2.4.1	Cotton Textiles	87850	86276	89283	87254	86023	86401
2.4.2	Jute Textiles	2198	2117	2116	1994	1958	2046
2.4.3	Man-Made Textiles	26017	25822	26074	26094	26349	26835
2.4.4	Other Textiles	74043	73852	74951	74698	74919	73954
2.5	Leather & Leather Products	10882	10720	11098	10830	10609	10936
2.6	Wood & Wood Products	12205	12102	12233	12343	12432	12591
2.7	Paper & Paper Products	31085	30607	30965	31276	31570	31675
2.8	Petroleum, Coal Products & Nuclear Fuels	55622	58679	75834	81636	73835	73323
2.9	Chemicals & Chemical Products	183048	184239	202949	193201	182315	180006
2.9.1	Fertiliser	34535	37028	49066	35981	34781	34486
2.9.2	Drugs & Pharmaceuticals	52072	50685	53427	53198	51800	52040
2.9.3	Petro Chemicals	40697	40188	42233	47383	40832	39455
2.9.4	Others	55744	56339	58223	56639	54902	54025
2.10	Rubber, Plastic & their Products	49254	48752	50415	49763	48645	48402
2.11	Glass & Glassware	8678	8494	8777	8412	8165	8132
2.12	Cement & Cement Products	57715	56634	58689	58916	58234	57163
2.13	Basic Metal & Metal Product	335104	333597	350325	354085	354466	350359
2.13.1	Iron & Steel	252173	250942	262396	268125	268756	266465
2.13.2	Other Metal & Metal Product	82931	82655	87929	85960	85710	83894
2.14	All Engineering	157586	155428	157259	154251	155201	147283
2.14.1	Electronics	33594	32900	30159	29968	30438	29742
2.14.2	Others	123992	122528	127100	124283	124763	117541
2.15	Vehicles, Vehicle Parts & Transport Equipment	79793	79111	82606	82565	84499	85374
2.16	Gems & Jewellery	59841	59147	59515	58880	57447	55686
2.17	Construction	105113	103972	104288	98980	100381	102608
2.18	Infrastructure	1036852	1018749	1053913	1055204	1055249	1069160
2.18.1	Power	559305	538993	559774	566556	568131	568950
2.18.2	Telecommunications	136080	141171	143760	139040	138289	146173
2.18.3	Roads	192232	186148	190676	189441	192041	194921
2.18.4	Other Infrastructure	149235	152437	159703	160167	156788	159116
2.19	Other Industries	237483	238000	239266	231698	231723	237424
	Industries	2817525	2792812	2905151	2884372	2861607	2875210

Source : *Reserve Bank of India.*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